

FAR EASTERN ECONOMIC REVIEW

Vol. VI

Hongkong, March 23, 1949.

No. 12

FROM THE CONTENTS:—

Camphor, Bristles, Minerals &
Ores, Vegetable Oils
H.K. Industrial Reports
North China Trade Reports

Reports from Indonesia, Japan,
Malaya and Indochina
H.K. Budget
Review of Conditions in
Far Eastern Countries

Awakening of the Malays
Britain in Southeast Asia
H.K. Mining & Mineral Resources

Japan between the Powers

After Japan's surrender the era of a Pax Americana, reinforced by atomic bombs, appeared unchallengeable although Washington policy makers never concealed their concern about the imminence of a wide spread of the "red peril" over Asia. The paramountcy of the U.S. is still a fact but its duration might be abridged; the antagonists have scored remarkable successes—in China and Korea—or show increasing militant activity—Burma, Indochina, to a lesser extent in the Philippines—all the while not forgetting about propaganda even in the U.S. Army's supposedly "red" proof Japan. It is an ironic development that in the Far Eastern and Pacific panorama the U.S. can describe only Japan as a bright spot.

In the world arena the two contestants, the US and USSR, are facing each other with increasing grimness fearful both of the coming cataclysm from which, it appears, there is no escape. In every corner of the globe the great struggle is waged and in the Far East an ominous situation has been created which daily moves nearer to a climax of unprecedented violence. The concept of prewar balance of power has disappeared now; no longer is it America's chief goal in its Far Eastern policy to work for a political equilibrium with its slogans of "open door" and "territorial sovereignty and administrative integrity"—two suicidal world wars have left a greatly weakened Western and Central Europe while there have emerged two superpowers in the present period of history which do not wish to maintain a state of equilibrium but are preparing for the final showdown.

In the beginning of this century America's foreign policy was confronted by Russia and Japan as the chief challengers to the balance of power in the Far East but as Japan emerged victorious in 1905 and subsequently expanded with great vigour the danger to stability in the Pacific and the Far East centred in Tokyo. All U.S. efforts at containing Japan in its quest for supremacy failed. The U.S. moved closer to Moscow in spite of it having become the "red" capital and established soon after 1922, when the Siberian intervention collapsed, better relations with the USSR which were intensified long before the start of Hitler's war in

1939. When finally the Japanese Empire capitulated America's dilemma in the Pacific continued with the USSR replacing Japan as the challenger thus bringing out clearly the futility of the balance of power as a system of peace-keeping.

It is now considered the only possible course for America in the changed postwar Far East to prevent Japan from moving in the orbit of the USSR. This negative approach to the problem of Japan is shaping America's policy vis-a-vis all countries in the Far East. Help of all sorts is being extended not for the purpose of promoting the industries of Japan, or for that matter the economy of China and other Far Eastern countries, but in order to contain the advance of Communism.

The occupation in Japan, now in its fourth year, has become pointless except to prepare military, naval and air force bases in the country; the demand for a drastic reduction of the occupation army has therefore become more frequent, in America, Japan and elsewhere. It is of course realised by the American public that whatever good will has accumulated in the course of the last 3½ years may easily be dissipated if the Japanese people are refused a peace treaty and have to countenance an occupation without end. That under such conditions resentment may arise which could easily assume larger proportions is only to be expected. No people can agree to the continued presence of alien armed forces. There is, as yet, little murmur openly heard in Japan but that there is growing dissatisfaction with the apparently perennial occupation is testified by Japanese and foreign observers. Granting the necessity for American forces maintaining bases in certain parts of Japan, similar to the situation in the Philippines, it would appear an overdue measure to relinquish U.S. Army control over the economic life of Japan, delegating whatever executive powers must be retained for a short period to the U.S. State Department and otherwise carry out the many solemn undertakings of emancipation of the Japanese people by returning full powers to the democratically elected Government of Japan. Any delay on the part of the U.S. Army will only play into the hands of the Communists and their sympathisers of which there are far more than the last election results indicate.

Chinese Labour Heroes

During recent weeks the Chinese Communist Party has started all over the country under its control a very sustained propaganda campaign to induce industrial and agricultural labour to increase production. Slogans and procedures are modelled after the Soviet precedent with production competitions, the bestowal of the title of labour hero, calls for labour inventiveness, the establishment of high output plans for individual factories and specified towns and districts, and a systematic effort to improve mass education. To Western ears the slogan and the whole make-up of the production competitions sound naive and many Chinese may also feel the same reaction towards the sponsoring of a labour hero movement.

The CCP control in Manchuria and North China the major portion of China's manufacturing industries and mines, and soon they will be in control of the Shanghai area with its great industrial potential. But skilled labour and raw materials from abroad already form a serious bottleneck in the production drive of the North China and Manchuria authorities; this will become more complex a problem after control of Shanghai passes into the hands of the new regime. Under these conditions the CCP must emphasise with all the powers of persuasion and, if necessary, compulsion the maximum exertion on the part of industrial labour. The example of the USSR in the prewar years and especially during and after world war II is inspiring for the CCP and for a not inconsiderable number of the Chinese intelligentsia and the workpeople. The nation will have in future to rely on the efforts of its own people, foreign donation will cease and reciprocity will be strictly observed. Whatever the Chinese farmer can produce and the industries can manufacture will have to suffice for the maintenance of the life of the nation and exports will have to balance to the last cent foreign imports. The higher the production efforts of the Chinese people will therefore turn out in the end the better will be the living standard of the masses and the greater will be the import volume.

Propaganda in the recently acquired areas of North China, especially in industrial Tientsin, has now been intensified to influence labour to work harder than ever before. The workers are told that output must increase from week to week, that China can only become an industrial country—the desire and ideal of the present generation—if mines and factories are efficiently operated, that one has to outdo the fellow worker, that even in off-hours workers have to try to improve production methods, that production plans have to be met before the deadline, that self-education is a national duty etc. Trade unions are assuming the role of tutor and chief drummer of industrial labour. Although the methods appear crude and the tenor of the propaganda extremely simple, the effectiveness of the present campaign cannot be doubted. Labour heroes, after the pattern of the celebrated Stakhanov, will be publicised and the pride and ambition of the labourer will be cultivated; within a short time one should witness in Manchuria and North China, despite the difficulties created by continued internecine warfare, a remarkable expansion of production compared to the levels previously maintained under the KMT administration. This in itself would not amount to very much considering the ineptitude and general corruption of the KMT, however, the production increases as reported already now, when relatively unsettled conditions prevail in those parts of Shantung and Hopei which recently were taken over by the CCP, sound impressive indeed. Doubting observers in Canton of the North China scene may eventually be disappointed when they might come to feel the impact of the strength which is now forged in Manchuria and North China. It would appear more realistic to appreciate the CCP for its political astuteness and its high standard of efficiency—compared to which previous Chinese central and provincial regimes prove childish though roguish—and to take it for granted that the current movement of production competition and labour "heroism" will lead to a significant rise in mining, industrial and agricultural output.

The Advantages of the Sterling Area

The sterling area has often been the target for ill-informed criticism; but the fact that it represents today the largest area in the world in which trade can flow largely unhampered by currency controls is even more frequently overlooked. What is also ignored is that the sterling area, on the part of its more important members, is a voluntary arrangement which would certainly not be persisted in unless it provided weighty advantages to its adherents—sufficiently weighty to off-set such disadvantages as may limit its members' freedom of action.

An account of the United Kingdom's relations with the other countries forming the sterling area system is inevitably very much of a recital of Britain's political and financial history during the last hundred years. Some knowledge of the chief developments of that period is necessary to appreciate just how those relationships were formed in the first place; the influences that then led up to the informal but real association between the countries of the sterling bloc; the creation of the sterling area proper under the pressure of war; and, finally, the present arrangement between the United Kingdom and the countries known as the scheduled territories.

Britain's emergence in the nineteenth century as the world's leading industrial and financial nation meant that it could become the source of capital for the development of the resources of almost every overseas country, while the early adoption of the policy of unrestricted imports meant that it also became the most important market for the commodities produced by those overseas territories. This intimate association in finance and trade extended not only to Commonwealth countries but also foreign countries, including practically the whole of North and South America, the Dutch East Indies, Japan and China. World War I and its aftermath dealt a severe, but far from fatal, shock to this system, and until 1931 the position might be fairly summarized as follows:

(1) Britain was the industrial and financial centre of a great overseas Commonwealth with vast resources represented by investments in every important country in the world. (2) The pound sterling, based on the gold standard, was a universally accepted medium for measuring and storing value. (3) Funds were free to move in and out of London, and the surpluses earned by the sterling area countries, among others, in trade with Britain were readily convertible into the currencies of those countries, such as the United States with whom they had trade deficits. (4) The world demand for sterling represented by countries wishing to pay for United Kingdom exports or to meet their obligations on United Kingdom investments was always, except towards the end of the period we are reviewing, greater than the supply of sterling held by other countries representing similar claims on Britain.

Britain's abandonment of the gold standard in September 1931, meant primarily that the exchange rate of the pound was determined by the supply of, and demand for, sterling in the open market. The fears resulting from the deterioration in Britain's trade position that caused the loss of confidence in sterling were thus reflected in a depreciation of the currency. From a rate of 4.87 dollars to the pound the value declined until the pound was worth little more than three dollars. All those countries whose output of food and raw materials far as the United Kingdom was con-

als had hitherto been largely absorbed by Britain found there was a grave danger, if the exchange value of their currencies were maintained, of losing that market because their exports would become dearer in terms of sterling.

That was a risk they could not afford to run, and accordingly they, too, depreciated their currencies, which they henceforth kept stable in terms of sterling. This was the origin of the sterling bloc, which included all the Commonwealth countries except Canada, Newfoundland and Hongkong; Egypt, Iraq, Portugal, Siam, the Scandinavian and Baltic countries and, to some extent, Japan and Argentina. No formal ties bound the politically sovereign members of the bloc, and all remained free to move funds in and out of London, that is to say to convert their sterling balances into any currency they chose.

When war broke out in 1939 a more formal and rigid arrangement was needed and this found its chief expression in the system of exchange import control adopted in the countries of the sterling bloc (now for the first time formally designated the sterling area) that entered the war at Britain's side. In this system the members of the old sterling bloc that remained neutral clearly had no place. The countries that came into the sterling area system were all bound to Britain by the closest financial and economic ties. They were also for the most part just as intimately connected in a political and military sense—they felt that Britain's victory in the war was an indispensable condition for their own survival. Such considerations largely explain the actual arrangements underlying the sterling area system. These involved (1) a readiness on the part of the member countries to pool their foreign exchange resources and to limit their claims on the pool in subservience to the demands of the war effort; (2) the setting up of exchange and import controls to mobilise the system's exchange resources and prevent currency leakages; (3) the continued shipment to the United Kingdom of the traditional exports (food and raw materials) from the rest of the sterling area, for which payment was made in pounds that merely accumulated in London to the credit of the countries concerned.

One other feature of the system must be mentioned—the freedom to transfer funds from one sterling area country to another. In practice, this meant freedom to transfer funds from London—but not necessarily to London, since Australia and New Zealand which had suffered from a sterling shortage before World War II continued to restrict payments to London by their nationals. But although, so concerned, funds were free to move from London to anywhere else in the sterling area, transfers during the war took place on only a limited scale.

When the war ended in 1945, the sterling area system was subjected to severe strains. Those countries which had for years been content to accumulate sterling now sought to use this money to buy goods in Britain or to convert it into dollars to buy goods elsewhere. These demands coincided with similar ones made by Britain herself in the interests of her own recovery, but Britain's ability to meet them had been materially reduced by the realisation of the greater part of her dollar investments, the physical loss to her plant and equipment, and the time inevitably taken in converting her economy to a peace-time basis.

A partial solution of these problems was found by the generous provision of dollar grants and credits by the United States and Canada; by the limitations placed on the rate at which accumulated sterling balances could be drawn down by Britain's creditors, including, of course, the members of the sterling area; and, on the part of Britain, herself, by a great increase in production, and the maintenance of an austere standard of living.

In working out such a solution, the existence of the sterling area (known since the introduction of the Exchange Control Act of 1947 as the

scheduled territories) has conferred great advantages—and some dangers. One of the latter lay in the free transferability of funds inside the area, since this would allow movements of capital from the United Kingdom to other sterling area countries and thus might lead to claims on Britain's physical and foreign exchange resources that could not safely be met. Sterling area countries have, it is true, had to accept some restrictions in the rate at which they could use their accumulated sterling funds to finance their programme of industrialisation. This delay is regrettable, but it should be a small price to pay for the advantage of preserving intact a large area in which trade is not hindered by any major currency difficulties and whose disappearance would certainly not confer any corresponding benefits. Thus, the retention of the United Kingdom market remains of cardinal importance to the rest of the sterling area, not merely because it provides these overseas producers with a sure outlet for their commodities but also because the uninterrupted flow of supplies makes possible that degree of industrial recovery in Britain without which their own political and economic position might be seriously jeopardised.

view was a small left-wing body of 7,000 members, the Malay Nationalist Party.

This desire to identify the Malay people with the struggle in Indonesia was not welcomed by UMNO, the most representative and powerful party. Dato Onn said at the first UMNO Congress that it would be a great mistake for the Malays to become involved in events across the Straits of Malacca and the Java Sea. He declared, and the party endorsed his declaration, that it was of the first importance that the Malays should put their own house in order.

• • • • •

That is the situation today. The awakened Malay is quietly and slowly building his own house. Dato Onn and other Malay leaders have made it plain that ultimately they desire Malaya to become a Dominion and an equal partner in the Commonwealth. With an apprehensive eye on the long-drawn struggles in Indonesia and Indochina, and watching the strife and chaos which seem to have swept over independent Burma, the Malay leaders have no desire to go through the same social torment. The Malays have found their own way of political progress, a way in keeping with Malay character. It is not the path of blood and battle, but the method of slow peaceful development. Already, Malay diplomacy has changed the disliked Malayan Union to the more appreciated constitution of a Federation, a working agreement between free peoples.

Fundamentally, the Malay leaders are confident that under the aegis of Britain, and with the patience innate in the Malay character, they will achieve their right place in the world with honour, dignity and success and without bloodshed or strife.

When talking with any of the Malay leaders, it becomes plain they realise their present limitations. The Malays have started late in a world beginning to run away from them. But they have started, and they are content to progress as rapidly as they can under the protection of Britain and in partnership with her. Partnership and protection, these two themes run through all important Malay speeches. In the Federal Legislative Council, Dato Onn has stated that the ties which bind the Malay States to the British Empire are ties of friendship and of treaties. He points out that the Malay States are not and never have been British Colonies. "It would be wise to show to the people of the Malay States that this partnership which has been willingly created between the Malay States and His Majesty the King is a partnership in fact and not only a name, because it is on the understanding and footing of that nature that the future peace, order and good government of the Malay States and of the Federation of Malaya will stand or fall."

Awakening of National Consciousness among the Malays

The symbol of a new political development in South-East Asia is Dato Onn bin Jaafar, President of the United Malays National Organisation (UMNO) and Prime Minister of Johore. The acknowledged political leader of the Malays, Dato Onn typifies, insofar as any one man can, the emergence of nationalism among the Malays. Malay nationalism has not taken any dramatic form such as the struggle of the Republicans in Indonesia for sovereign recognition. It has grown quietly over the three years since the Japanese surrender. At present, the nationalistic trend is confined to the intelligentsia among the Malays, but with an ever-widening support among Malay people of all classes. When UMNO was formed in March 1946, Dato Onn in a speech of the first Congress at Kuala Lumpur pointed out it would be recorded in history that in this time of danger the Malay peoples had united. More than 2½ years later, Malay unity is stronger than ever. There is every indication that it is here to stay as a potent force in the political development of Malaya.

The war shook Malay civilisation to its roots. After three years of Japanese occupation the Malays found themselves in the centre of a stormy world. To the north was Siam, independent these 600 years. Great changes swept over Burma and India, the one becoming a Republic and the other a Dominion of the Commonwealth. Over the Indian Ocean, Malaya saw Ceylon emerge as a new Dominion. Today, she is closely

aware that the political problems of Indonesia and Indochina are unresolved.

The Malays, and all the other peoples of Malaya, could not stand apart from the stream of history coursing in South-East Asia. Events caught up with them, and particularly with the Malays. The formation of the Malayan Union, following the MacMichael Treaties, in 1946, was a danger signal for the Malay people. Politically dormant for so long, the Malay became awake. He felt he had surrendered his independence completely. From this feeling was born the first great political party in Malaya, the UMNO, 100,000 strong. Under the pressure of Malay opinion expressed through the leaders of UMNO, the Malayan Union ultimately changed its character, giving way to the present Federation of Malaya. This solution preserved Malay sovereignty and the individuality of the nine Malay States, and yet provided the strong central administration necessary if Malaya was to survive as a separate entity. It also provided a solution for the Malays, if they were to survive as a racial entity in strife-torn South-East Asia, where nationalism was rising fast.

At the same time, events in Indonesia began to influence the Malays. As they saw it, their brothers in Java and Sumatra were fighting for their freedom. There were many persons of Indonesian origin, particularly in Johore, who also wished to fling out their hands in the Republican salute and cry "Merdeka" (Freedom). Representing this point of

The basis of this partnership is protection. The Secretary-General of UMNO, Inche Zainal Abidin has declared that there are many provisions in the Constitution of the Federation of Malaya which the Malays would not have accepted but for their desire for British protection. Appealing for arms and men for Malaya during the present emergency, he quoted the Malay saying: "Jangan pisang berbuah dua kali." (Bananas don't bear fruit twice). He added: "We Malays are not standing idly by and merely asking for protection, but we are ready and willing to stand side by side in the front line." Events of the past have proved his words true.

The eruption of the Communist drive for armed action against the Government, directed by alien Chinese, has only served to knit the Malays more closely, and to bring more openly to the surface the hopes and plans of their leaders. The immediate result was a remarkable demonstration of Malay unity, loyalty to their race and devotion to their land. The Government called for aid to suppress the bandits, and the response of the Malays was overwhelming. The patriotism of the Malay, his deep love of his land, has been stirred as never before. As he sees it, the threat to his way of life and his customs is right in his midst. By tradition, by religion, by his economy as a peasant small-holder, (for the great majority of Malays are land-owners), and by his association and trust in British administration, the Malay today is expressing his determination to put an end to organised banditry in Malaya.

* * *

This new tie of unity is also stirring the social consciousness of the Malays. Throughout the land there is a drive for education. Teachers are outspoken on the need for learning among the Malays. The political awakening of the Malays can be seen in many other ways, but particularly in the Malay Press. This is a far more powerful force today than it has ever been. There are three important papers of influence, ever watchful of Malay interests—"Utusan Melayu" in Singapore, "Majlis" in Kuala Lumpur and "Warta Negara" in Penang. The Malay Press stresses such matters as the expansion of the Malay Regiment—why not a Malay division? They demand the appointment of more Malays in official posts. They ask for increased immigration from Indonesia. Repeatedly they state that Malaya is a Malay country, but will welcome all who wish to regard Malaya as the object of their loyalty and as their permanent home. One recent expression in one section of the Malay Press was an editorial suggesting that as a gesture of friendship to the Malays, Britain should return voluntarily the Settlement of Malacca to the State of Johore and Negri Sembilan.

Another significant straw in the Malayan wind is the increased interest of the Malays in everything relating to Malay economy. Recent articles and speeches by Malay leaders demand more Malay activity in rubber growing and fishing, in the opening up of new agricultural lands, in forming co-operative societies and trade unions and in entering commercial fields. This new interest in national economic affairs is another link in the chain of closer political thought among the Malays.

Despite all these emerging factors, there is no chauvinism in the Malay but he is anxious to go forward in politics, industry or government. He has also allowed the Malay woman to come out in public life. Before the war it would have shocked Malays if Malay women spoke in public. Today Malay women take their place in Federal and State Councils, in the committees of UMNO, and many other organisations. Recently the new Malay National Bank appointed a woman director. And there is a great demand for more education for Malay girls.

Today the Malay looks with some pride at what his people have done during the post-war period. Malays are sharing political authority, and their leaders are confident that they can play an increasing part in public affairs; they ask for more appointments of Malay officials. The Malay leaders know that their people have a destiny. They know that unless they go forward in the changing world, the Malays may go down. They are prepared to progress and to become in the not too distant a future equal partners in the Commonwealth.

Turning of the Tide in Malaya

The tide is turning in Malaya. For the first time since the declaration of a state of Emergency nine months ago, it is possible to say that the trend of events is in favour of the Government and the people and against the killer-squads operating from ambushes in the jungles of Malaya. There is a quiet note of hope today which would not have been possible in the closing months of last year. There is a quickening of events, evident in both military and political spheres. There is a feeling abroad among all communities that the Emergency must end soon and that everything must be done to bring this about. A sense of confidence is growing everywhere, and there are signs of essential co-operation, goodwill, and effort by the people themselves, without which any campaign against organised lawlessness must fail, or at least be long drawn out. More information, vital to the working of the Police force and to the operations of the Army and the Air Force, is coming forward. In the first

two months of this year, \$200,000 was distributed in rewards to those who gave useful information. As the supply of information about bandit movements and hideouts grows in volume, the amount of money being paid out as protection to the bandits grows less. Without money, given to them: willingly or unwillingly, the bandits are unable to buy food, arms and ammunition. In October and November last year extortion payments amounted to as much as \$250,000 a month, all obtained either at the point of the gun or by threat of reprisal. Today as result of action taken by various Chinese associations, these payments are appreciably reduced.

More than ninety per cent of the Chinese tin miners have now made public pledges that they will not pay 'protection money' to the terrorists. Chinese rubber planters and bus owners, who were favourite prey for bandit extortioners, and the Indian Chettis (merchants) throughout the country have also promised not to pay 'protection money' any longer. On the Government side, there has been a policy of constant firmness on the issue of extortion money. The authorities refused to compromise. They declared that money was so much ammunition for the bandits, and published their intention of taking action. They demonstrated their firmness in the old city of Malacca, where thirty-five Chettis were recently arrested. The High Commissioner, Sir Henry Gurney, said: "Information regarding extortions and those who are still making them is now coming in fast. The arrests recently made (in Malacca) will shortly be followed by more. Popular sympathy with the bandits, which was never large, is now becoming very small, and there will be none for those who continue to pay them blackmail."

Another sign of the turning tide is the accelerated activity of the forces in carrying out operations under the new Emergency Regulation 17D. Under this regulation the High Commissioner may declare any area where there is reason to believe that the community is either withholding information regarding bandits or giving them active support. The regulation empowers the security forces to detain, remove and repatriate any alien person living in such an area. The regulation was gazetted on the night of January 11th. Since then seven important operations have taken place, resulting in the detention of more than 3,000 squatters. One recent operation cleaned up the Batu Caves district, only six miles north of the Federal capital, Kuala Lumpur. It was in this area that the Chinese guerrillas had their headquarters during the Japanese occupation of Malaya. Another operation took place on the Siamese border where bandits under Japanese leadership dominated two villages overlooking the only main route between Malaya and Siam. Despite outrages of murder and ambush

in both these districts, at no time since the Emergency began had any of the persons living in the areas supplied any information to the authorities.

* * *

The operations in squatter areas, far from creating new bandits, have made the squatters themselves more confident. Now, seeing that the Government is resolute in its intention to prevent any form of support for the bandits, the squatters are supplying a considerable amount of useful information which formerly was withheld. In some areas squatters have asked the Government to buy their crops of rice rather than that they should be forced to sell it to the bandits.

Alongside these special operations against declared areas aimed at centres of Communist domination, the authorities have been most active in repatriating to China or elsewhere any person known to have helped the bandits, either actively with money and food, or possibly by failing to disclose information. In January and February, 1,654 persons were either banished from Malaya or repatriated to China.

The effect of this policy of physical deportation has been to impress the people that the Government means what it says when it intends to crush the bandits. The natural reaction of any Asian, particularly the Chinese to any new Government measure which says that strong action will be taken is to say: "Well, we will wait and see." If orders are rapidly translated into operation, if talk turns into action, then confidence in the Government grows, and any self-interest in the prospects of the "other side" lessens.

A third pointer to the changing trend in Malaya is that national registration is now completed. In future, every person in Malaya twelve years of age and over must carry an identity card by day or night. The process of registration has been long, almost tedious. The authorities had to face the problem of having every single person, more than four million people, personally identified. The purpose of this registration is to enable the security forces to have an immediate check on any person. Naturally, it is expected that no bandit will be registered. Any person who has no identity card in Malaya now is certain to be the subject of Police investigation. An additional check is provided in that all identity cards carry the number of the owner's ration card. Should the identity and ration cards fail to check with one another, the Police will want to know why.

Since the first announcement of the Government's intention to undertake the vast task of registering all the people—a task made the more onerous as no elections have yet been held in Malaya, and consequently there is no register of voters—the bandits have made it plain they have no love for the new system. In certain areas, they arranged ambushes for the specific

purpose of causing intimidation over cards. In some cases they murdered persons because they registered. But their campaign against registration failed from the beginning. The ordinary man and woman in the street sensed that by obeying orders to obtain identity cards the people of Malaya could play their part by cooperation, and contribute their small effort to the elimination of the bandits. On the official day for completing the registration, the Police lost no time in checking up on the carrying of cards in certain public areas. The people of Malaya now know by order, example, action and desire, that the identity card is a small but important factor in the campaign against the bandits. The small percentage of persons without cards are either bandits or their sympathisers. They can expect an uncomfortable time if they should be caught and asked to explain why they are unregistered.

* * *

Another sign of the basic confidence of the Malayan people is the recent conference of trade union delegates in Kuala Lumpur, the first of its kind to be held. Despite the Emergency and to demonstrate their opposition to the bandits who in the past had nearly wrecked genuine trade unionism by their policy of domination from the top and their unpredictable methods of fomenting strikes, 150 delegates from 80 per cent of the unions in Malaya conferred for two days. They decided to set up a committee to bring the workers more closely in contact with Labour representatives on the Federal Legislative Council and to decide a co-ordinated policy for the future of the trade union movement as a whole.

On the political side, another significant event was the inaugural meeting

of the Malayan Chinese Association in Kuala Lumpur. This was the first time in the history of Malaya that the Chinese had formed a central organisation completely Malayan in outlook. In the past the principal Chinese political bodies were either the Kuomintang or the Communist Party, both of overseas origin. The Malayan Chinese Association is pledged to support the Government in its campaign against lawlessness. As the great majority of the bandits and sympathisers are Chinese, the formation of this new body is a severe blow to the bandits and a confident demonstration by the Chinese community that they are on the side of the Government and have no sympathy whatever with the outlaws in the jungle.

This important meeting removes from the bandits a psychological factor of the first importance—the public knowledge that they can expect no moral support from the vast majority of the Chinese in Malaya. As one delegate said: "I would remind you of three sayings of our ancestors. First is 'If we do not think far, we shall find trouble near'. The second is, 'To see what is right and not to do it is want of courage'. The third is, 'Rank has its obligations.'" Another speaker, Col. H. S. Lee, one of the most prominent tin miners in the country and a member of the Federal Legislative Council, said: "If this country is to restore normal conditions in the shortest possible time it is imperative that first of all mutual understanding and racial goodwill must be re-established to the pre-war level. There is no doubt that all law-abiding people in the country, irrespective of race, are equally anxious to see the return of peace and good order."

Britain in South-East Asia

One of the most important and the most influential British personalities in the East today is the Commissioner-General for the United Kingdom in South-East Asia, the Rt. Hon. Malcolm MacDonald, P.C. The extent of his influence and authority is so wide that only wartime can provide an analogy expressing the range and nature of his duties. Without being a member of the British Cabinet, Mr. MacDonald carries out most of the functions common to the wartime position of a Minister of State. In a sense he is a peace-time counter-part in South-East Asia of Mr. R. G. Casey, former Governor of Bengal and now President of the Liberal Party in Australia, who was during the war the British Minister of State in the Middle East. Mr. MacDonald reports to the Secretary of State for the Colonies, Mr. Creech Jones, on matters affecting the Federation of Malaya, the Colonies of Singapore and British North Borneo, and Sarawak whose Governor is now High Commissioner for the State of Brunei.

The Commissioner-General is the adviser and co-ordinator of all these areas. The various Governments concerned take direct action in domestic affairs and refer to the Colonial Office. Mr. MacDonald enters the picture when subjects overlap or affect the domestic policy of other territories in which Britain is interested in South-East Asia. He meets regularly with the Governor of Singapore, Sir Franklin Gimson, the Governor of Sarawak, Sir Charles Arden Clarke, and the Governor of British North Borneo, Mr. Edward Twining. He is in continuous contact with the High Commissioner of the Federation of Malaya, Sir Henry Gurney, and he pays frequent visits to Kuala Lumpur, the capital.

Most of Mr. MacDonald's time is spent either at his headquarters in Singapore on the top of the main skyscraper in the city, Cathay Building or at his residence, Bukit Serene looking over the calm waters of Johore Strait, about 20 miles from Singapore.

The present emergency in Malaya is directly identified with Mr. MacDonald in the minds of nearly all people in Singapore and the Federation. He has broadcast four times on the situation. Last June, his revelations on Communist designs in Malaya and South-East Asia drew the attention of the world. It is the opinion of well-informed people that his broadcast caught the Communists by complete surprise and as a result the planning of their revolution went off at half-cock. In his third broadcast on August 3, he announced that this was the day when the Soviet Republic of Malaya was to be set up. He said drily that in the unavoidable absence of the Chief Commissioner of the Republic it was his duty to come to the microphone to announce his unavoidable absence.

Apart from his colonial functions and his concern with immediate events in Malaya, Mr. MacDonald is responsible to the Foreign Secretary, Mr. Bevin. He is kept informed of events in South-East Asia by the British Ambassadors in Siam and Burma and by the Consuls-General in Batavia and Saigon. These diplomatic and consular representatives report direct to the Foreign Office. Mr. MacDonald's function is to co-relate policy and to give advice to Mr. Bevin on the general situation as it affects British interests in South-East Asia.

The working of both these Foreign Office and Colonial Office responsibilities of Mr. MacDonald was demonstrated recently in Singapore. Governors of British territories in South-East Asia and leading British Foreign Service representatives in the East attended a joint conference. Amongst were the British Ambassador in China, Sir Ralph Stevenson and the Governor of Hongkong, Sir Alexander Grantham. This conference was held shortly after Mr. MacDonald's return in November from London where he attended the Commonwealth Conference of Prime Ministers.

Mr. MacDonald's interests extend to the greater part of Asia. He considers one of his most important duties is the cultivation of good-neighbour relations with other countries in Asia, so that problems of common interest can be ironed out, preferably on the basis of personal talks. Recently, Mr. MacDonald visited Siam for a week. There he conferred with the Premier of Siam, Field Marshal Phibun Songgram, and other leading Government officials in Bangkok. In carrying out this policy of good-neighbour relations he has visited the Chinese Government in Nanking; and Rangoon, where he talked with the Premier, Thakin Nu; New Delhi, where he met the Prime Minister, Pandit Nehru, and Pakistan where he had conversations with the late Governor-General, Mr. Mohammed Ali Jinnah. In making these contacts Mr. MacDonald travels a great deal by air. He has visited China once and the territories in Borneo twenty times. A civil aviation plane—a Miles Gemini

—is put at his disposal for his frequent trips between Singapore and the mainland of Malaya.

Mr. MacDonald also reports on defence. He is chairman of the Defence Co-operation Committee Far East. This consists of the Cin-C Far East Land Forces, General Sir Neil Ritchie; the C-in-C Air Command Far East, Air Marshal Sir Hugh Lloyd, and the C-in-C Far East Station, Admiral Sir Denis Boyd. This Committee meets frequently in Singapore.

Before his appointment as Commissioner-General in May 1949, Mr. MacDonald was for two years the Governor-General of Malaya and Singapore. The new post brought with it economic responsibilities formerly borne by Lord Killearn as Special Commissioner for South-East Asia. Mr. MacDonald has taken over Lord Killearn's economic organisation, one of whose main concerns is the distribution of rice. In this matter it works closely with the International Emergency Food Committee, through the I.E.F.C. Sub-Committee on Rice in Singapore. As rice is the basic food of the East and its steady supply is vital to the well-being of Eastern races, the importance of this work need not be stressed.

The Commissioner-General is assisted by a staff of thirty experts, including two deputies, one for colonial affairs and the other for foreign affairs. The Colonial Affairs Deputy is Sir Ralph Hone, lawyer and a soldier, with colonial experience reaching back 28 years. Sir Ralph Hone has been closely associated with Malayan affairs. He was Chief Civil Affairs Officer of the British Military Administration which governed Malaya and Singapore at the time of the liberation of the country from the Japanese. The Foreign Affairs Deputy is Mr. Patrick Scrivenner, a full-time diplomat who came to Singapore a year ago from Damascus where he was British Minister to Syria.

Mr. MacDonald's staff of advisers includes Dr. F. C. Benham, an eminent economist, and Dr. William Clyde who is chairman of the I.E.F.C. Sub-Committee on Rice for South-East Asia. There are also advisers on nutrition and agriculture, and an expert on the general subject of rice. In addition a special unit of three members from the Ministry of Food is closely allied with the work of the Commissioner-General. The F.A.O. representative on Fisheries for the Far East, Dr. G. L. Kesteven, also works in close co-operation with the Commission.

The advice of this strong team of experts has been and is available to all the countries of South-East Asia. A fund of economic intelligence and statistics has been built up which is in itself a valuable source on which governments can call for information. Every day, problems concerning vital matters affecting the Commonwealth, pass through Mr. MacDonald's hands. In a practical sense he is the outpost of the British Cabinet in South-East Asia and the East.

International Rice Commission

A special organ devoted exclusively to the production, distribution and use of rice, so important as the basic food for hundreds of millions of people, known as the International Rice Commission, is actually holding its first conference in Bangkok. Some sixteen nations—Burma, Ceylon, Cuba, Ecuador, Egypt, France, India, Italy, Mexico, Netherlands, Pakistan, Paraguay, Philippines, Siam, United Kingdom and the United States of America were represented. In addition observers from SCAP, ECAFE, WHO and UNESCO are attending the conference.

China and Japan, though not directly represented, are closely concerned with the outcome of the decisions taken. In fact, already a long list of countries accepting membership in the Commission, shows that the need for such an organisation is felt by the major producing countries in four continents as well as by metropolitan powers responsible for territories which are rice producing and consuming.

In his opening address the Director-General of FAO (Food and Agriculture Organization) pointed out *inter alia* that as Siam has made tremendous strides towards achieving prewar production and export totals it was fitting that the conference should be held in Bangkok. He added that in view of the fact that more than a billion people comprising more than half of the population of the world, are dependent almost exclusively on rice for their livelihood, the importance of the conference cannot be exaggerated.

The figures relating to world production of rice show that although 145 million tons were produced during the 1948/49 period—an increase of 2.4 million tons over the previous year, the amount compared with prewar production will still be 2.9 million tons short. In the meantime the population in the rice eating areas is estimated to have increased by over 100 millions in the decade of 1939/1948, and this population increase took place despite the destruction and carnage of the greatest war in history. To meet the needs of the rice-eating populations at minimum satisfactory nutrition levels, production must be increased at the rate of one-third million tons each year. Even after fully implementing the present programme for increased production of rice, the world will still be faced with a deficit of around 14 million tons of rice in 1950.

The first phase of the "rice problem" is the "adjustment of production to demand." The second phase of the problem is one of the distribution, while the third phase relates to prices. In regard to the first point production figures indicate a decrease in production in 1946/47 as compared with the prewar figure of less than 5% which,

though a serious deprivation to people on a low diet scale, would, with perfect distribution not be sufficient in itself to cause a crisis. Much of the production is concentrated in the great consuming countries of India, China and Japan (perhaps 66%), and the decrease in production has occurred less in these countries, with perhaps the exception of China, than in the surplus countries such as Burma, Siam, Indo-China and Formosa.

Distribution is a point the Conference is discussing and the possibilities of cooperative action are being gone into. Farming methods generally will also come up for consideration. It is perhaps in this connection that the work of the special mission of the FAO, which has been studying the economic and technical problems involved in agriculture and forest resources in regard to Siam, will be utilised. This special mission is setting forth some 128 recommendations covering such fields as reclamation of abandoned land, control of water, manures and fertilizers, improved varieties of plant-breeding to increase production, seed multiplication and distribution, reduction of losses by diseases and pests, trial of new implements, mechanization of rice farming, crops other than rice, irrigation policy, control of rinderpest, marketing and distributing, etc.

In the mission's opinion, the general economic situation in Siam is so favourable that it should not be difficult to overcome the temporary obstacles to efficient public service which the rise in the cost of living has created. In fact the situation in Siam is in many ways most encouraging. To take February figures alone for Siam's exportation of rice, it is seen that the shipment of 148,648 tons of rice during February to deficit countries under International Emergency Food Council allocation, will earn for Siam a total of £5,026,486 and US\$4,114,302, which is the largest amount of foreign exchange ever earned from rice exports for February exceeded all previous post-war records, as well as being above the highest prewar monthly average of 139,300 tons. Had it not been for political disturbances which prevented the sailing of twelve ships at the end of February, more than 200,000 tons of rice would have been shipped out of Bangkok. In this connection it is interesting to note that in a trade agreement with Japan amounting to US\$30 million dollars each way, Japan will import sixty per cent. of this amount in rice.

The effort to ship a maximum quantity of rice in February was intended to test the physical capacity of the port of Bangkok by proper planning of shipments. February rice shipments went to: India, 41,041 tons; Indonesia, 17,509 tons; Sarawak, 3,678 tons; Borneo, 1,730 tons; Hongkong, 7,797 tons; Malaya, 27,662 tons; Ceylon, 9,246 tons; China, 25,006 tons; and the United Kingdom, 13,995 tons.

Siam's Agricultural Future

Hongkong, lying as it does within the area of the rice consuming countries of the Far East, is directly as well as indirectly concerned with the findings of the International Rice Commission which has just been holding a conference in Bangkok. Siam, Malaya, the Philippines, China and Japan are closely allied to the findings of the Conference, even though some of these countries are not directly represented. The alarming shortage of rice during the post-war years has long been a recognised problem which needed to be tackled within the shortest possible time and though, as has been pointed out, this problem is not altogether a heritage of the war—it has been an increasing menace for many prewar years—those years of conflict have undoubtedly aggravated the situation.

The figures given in another column of this issue are overwhelming, and it is clear that just a return to the pre-war status quo will not solve the problem. It is difficult for the ordinary man in the street to see, at the moment at any rate, how this vital matter, which affects more than half the population of the world, can be handled in such a way as to give sufficiency to all. The main cause of the trouble is irrefutably the steady increase in population, despite the devastation by flood, drought, war and all the other calamities so prevalent. This point cannot, however, be solved by any conference, the situation has to be faced as it actually stands to-day.

Siam, one of the largest producing and exporting rice countries in the world, is taking precautions to see that her life line, the rice crop, is not going to fail, and her efforts are being directed towards that end. As a preliminary step the Siamese Government invited the Food and Agriculture Organisation or, as it is more generally known, the FAO to send a special mission to study the economic and technical problems peculiar to Siam's agriculture and forest resources. The work already done has been thorough and the Mission has prepared a long list of recommendations dealing with every aspect of the country's rice and attendant problems.

It is particularly interesting that, in the opinion of the Mission, Siam, beyond a recommendation to engage a foreign adviser in agricultural education and research and for a short period the services of a statistical sampling expert from abroad, is considered quite capable of relying upon her own efforts to complete the programme laid down by the Mission, which has apparently been accepted by the Siamese Government. It is confident that this can be done. Siam has well trained, capable men, who would feel honoured to serve their country in this way; and in so serving, they would also make a substantial contribution to the welfare of other countries of South-east Asia. In the Mission's opinion the general economic situation in Siam is

so favourable that it should not be difficult to overcome the temporary obstacles to efficient public service. There is further no conflict between the needs of Siam for more efficient agricultural production and the world-wide aims FAO seeks to promote. The Mission in fact, recognises in Siam a staunch ally in the task of combating want and disease and in securing a better way of life.

HON. D. M. MACDOUGALL, C.M.G.

The commercial community is deeply concerned at the announcement by His Excellency the Governor in his recent speech before the Legislative Council that the present Colonial Secretary, Mr. D.M. MacDougall, will shortly be retiring, and the *Far Eastern Economic Review* sincerely echoes this regret.

Few who were in Hongkong after the reoccupation of the Colony in 1945 will forget the wholehearted energy shown by Brigadier MacDougall, as he then was under the Military Administration set up by Admiral Harcourt, in the rehabilitation of this much damaged and depleted territory. Red-tape was rightly overridden and every possible facility given to merchants in their endeavours to get the wheels of trade and industry revolving. In a phenomenally short time, compared with other parts of the world, Hongkong was on its feet and soon entered upon a boom period that might well be the envy of others.

Mr. MacDougall would, we know, be the last to claim that Hongkong's achievement was due to himself alone. He was well aided by others in the colonial service, who also threw themselves wholeheartedly into the effort of reconstruction; but there is, as all know, much in good leadership—and the British have always been happy in finding the right leader at the right moment—and our Colonial Secretary possessed these qualities.

The good wishes of the *Far Eastern Economic Review* go with Mr. MacDougall into his retirement, with the hope that it will not be long before a further use is found for his exceptional gifts.

HON. V. KENNIFF, C.B.E.

Reference has been made to those who cooperated with Mr. MacDougall in the work of rehabilitating Hongkong. Mr. V. Kenniff, former director of Public Works, is one of this band. His was a heavy task and he tackled it with vigour and understanding. Not only did he find his department faced with the task of rebuilding a very shattered colony, but he also had to make provision for the proper housing of Government. This he did with some success, and he may well feel happy at the result. Mr. V. Kenniff is now leaving the Colony.

REVIEW OF CONDITIONS IN FAR EASTERN COUNTRIES IN 1948

The Chairman of the Board of Directors of the Chartered Bank of India Australia and China, Mr. V. A. Grantham, will submit to the annual general meeting of shareholders to be held in London on April 4, the following statement on conditions in India, Pakistan, Ceylon and the countries in the Far East, from Burma to Japan.

India

Unquestionably the greatest achievement in the political sphere in India, following the attainment of Independence, has been the notable progress toward the unification of the country by the grouping of many of the Indian States within the Dominion on lines which promise progressively co-ordinated representative Government. Notable also was the cease fire in Kashmir, followed by proposals for a plebiscite to which Dominion—India or Pakistan—that State will secede, as this has established peace throughout the sub-continent, and augurs well for a more ordered future between the two new Dominions.

This is well, for India faces many formidable problems in the economic sphere which will never be solved satisfactorily save under conditions of stability and peace. Some are fundamental, such as the need to produce more food for the ever-increasing population, and merely to mention this problem is to place one's finger upon India's perpetual task and anxiety, against which every other economic factor must be measured. All have been aggravated by the distortion of the economy of the country following upon partition, and the mass migration of refugees, and more than ever is it clear that it is in the interests of India and Pakistan that there should be the closest and most friendly relationship between the two countries.

Inflationary tendencies, controlled as far as possible by sound management of the currency, have been aggravated by failure to increase production, which, due to labour unrest and a failure to give a full day's work, has fallen far short of expectation. The balance of trade, already gravely menaced by excessive requirements by way of imports of food, has deteriorated further through inability, owing to transport difficulties, to get products to the shipping points, although some improvement in this direction has been apparent recently. The prices of many staple exports, which have hitherto been reliable foreign exchange earners, have risen to levels which are causing for eign buyers to look elsewhere for supplies or to turn to substitutes.

Taxation, which is now at a very high level, is having its effect in reducing incentive, and the complete stagnation in the Equity investment market is rendering it impossible to find local capital for new enterprises, while the entry of foreign capital awaits the assurance which only years of stable and consistently sound government can supply. Many statements have been made in the past year by responsible Minis-

ters clarifying the position in regard to nationalisation and industrialisation policies on the part of the Government and it is hoped that as early as possible some definite programme may be laid down by the Government itself which will enable foreign investors to form a clear long terms view of the future.

Pakistan

The position has shown slow but steady improvement. Production of raw commodities which forms the economic backbone of the area now known as Pakistan, slowed down somewhat owing to the general dislocation that took place following partition, which necessitated a complete reorganisation and resettlement of the population engaged on the land in producing food and other agricultural produce. The position has improved however and much has been done in the way of training personnel for posts of responsibility created in the setting-up of commercial and industrial undertakings in the new Dominion.

Pakistan has been forming a counterpart of the Reserve Bank of India to control internal finance and banking. The State Bank of Pakistan was constituted on 1st July last to take over the functions hitherto performed by the Reserve Bank of India throughout Pakistan and to operate as a Central Bank of Issue. The control now exercised by the State Bank is naturally very much on the lines followed by the Reserve Bank of India, and under an agreement entered into by both Institutions a free transfer of funds between the two countries has been assured for the time being, but the existence of a continuing large trade balance against India may possibly render necessary a revision of the present arrangement.

Pakistan for the 10½ months ended 20th June, 1948, achieved a favourable World trade balance of no less than Rs. 289,000,000 with exports totalling Rs. 706,000,000 and imports amounting to Rs. 317,000,000 and it is pleasant to record both the success achieved by the new Dominion in overcoming its very great initial difficulties and the helpful and constructive attitude of its Administration.

Burma

A little over a year ago Burma became an independent country. Like Pakistan, Burma possesses enormous possibilities in the natural products of her soil. As the greatest of the rice producers for export, immediate prosperity should have been assured in view of the enormous unfilled demand for this product throughout India and the Far East; but internal disturbances have hampered both the growing, and the free movement, of rice, and the economy of the country has suffered.

It was recently stated in the Burmese Parliament that the budget deficit for the year 1948/9 would exceed some Rs. 187 millions, excluding operations of the nationalised undertakings, such as river and rail transport, the timber monopoly, etc., all of which it is under-

stood are running at a loss, and the present widespread disturbances, which the Government are finding it is so difficult to quell, must militate against any quick recovery of the position and involve further expenditure.

The great losses incurred by British interests in Burma as a result of political events there are greatly to be deplored, and it is to be hoped that compensation in some tangible form will be forthcoming. Burma is a country which pre-eminently requires foreign capital, if full development of her great resources is to be accomplished; but unless conditions can be re-established which will attract such capital—and this will be difficult in view of the attitude hitherto adopted by the Government—recovery and development must be slow and progress difficult.

Burma's difficulties in the matter of the export of rice are reflected elsewhere, and are in fact becoming an international problem, for India and many Far Eastern countries are dependent upon the rice produced in the areas of the three great deltas East of the Ganges—viz.: of the Irrawaddy, the Meinam and the Mekong. As supplies from the two greatest of these granaries are in peril, grave political consequences might well be the result were famine in the dependent countries to supervene through the cutting off of reasonably large supplies of rice from Burma as well as from Indo-China. The effect of any hold-up in the export of rice upon the economy of Burma herself can well be imagined.

Ceylon

The new Dominion has been particularly free from many of the difficulties which have afflicted her neighbours in the change over to complete self-Government. Economically, however, the Dominion has not been without its own serious problems, for while the bulk of the population of the Island is engaged in agricultural pursuits, producing rubber, tea and coconuts, these commodities only go part of the way towards providing exports, and the foreign currency required to pay for imports, including food supplies in which the Island is not entirely self-sufficient.

The cost of public and social services, including food subsidies, was likely to produce inflationary tendencies. During the year efforts have been made to control the position and the Cost of Living Index for the working class has remained steady, though there has been a tendency for the Index figure for food to increase, with a slight set-off in other directions, but the tendency towards inflation remains a problem. The "active" note circulation towards the end of the year was some Rs. 10 millions higher than it was a year ago. The Gross circulation on the other hand, fell by Rs. 24 millions, and on average Banks' deposits were approximately Rs. 80 millions less at the end of 1948 than for the previous year. The formation of a Central Bank for Ceylon has been decided upon, but whether the new Bank will be entirely Government-owned or only partly so has still to be decided.

Malaya

Conditions in Malaya for the last seven months of 1948 were overshadowed by banditry throughout the Federation. The Government of the Federation, realising at an early stage—although not early enough, perhaps—that the situation was beyond the capacity of the police to control, not only reinforced them, but arranged for the entry of troops in an endeavour to cope with the menace, which, however, is still far from having been overcome. The bandits, whose sole objective is obviously nothing less than the disruption of the economic life of the country have taken a heavy toll of life among planters, miners and such like of all nationalities. Tribute must be paid to all those who in daily peril have admirably continued to follow their occupations while taking part in the necessary defensive measures.

Though the country has suffered under insurgency since June, 1948, the adequacy of insurance available to cover losses arising therefrom has not yet been determined finally, so that there is still a certain uneasiness felt by the business community and an inclination to restrict commitments. This is particularly unfortunate in view of the dollar earning potential of the tin and rubber industries. Governmental action with a view to clarification of the insurance position, however, is expected shortly. The recovery of the country has been hindered by this lawlessness, though not to the extent which might have been anticipated. In fact, the preliminary trade figures for 1948 at \$3,518 millions (£410,000,000) show increase over 1947 of \$855 millions (£100,000,000) which is a measure of the country's steady rehabilitation despite the disturbances and in the face of low prices for its principal exports. The adverse balance of trade at \$60 millions (£7,000,000) imports being valued at \$1,789 millions and exports at \$1,729 millions is approximately the same as at the close of 1947 and to a large extent is accounted for by the continued import of machinery and of rice; the former will continue on the same scale only during rehabilitation while ever greater efforts are now being made to reduce the country's dependence upon imported food. The attainment of this latter objective will, it is hoped, be materially assisted by the decision of the Colonial Development Corporation to sponsor a rice production scheme in the country.

The prices of tin and rubber, the two main industries of the country, have still not reached levels comparable with those attained by other primary products in relation to pre-war figures. The price of tin, however, was raised in June to £550 per ton, constituting at least some recognition that the industry needs to sell at a more remunerative price while costs of production are on the upward grade. Exports for 1948 aggregated about 47,000 tons, of which 29,000 tons went to the U.S.A. against 30,000 tons for 1947 with 16,000 tons to America. At the close of the year, 566 mines and 67 dredges were working compared with 478 mines and 56 dredges a year previously.

Production of rubber in the Federation during the year was 696,978 tons, an increase of some 50,000 tons over 1947 and possibly represents maximum production. Of the tappable area on Estates of 100 acres or over, a total of some 1,800,000 acres, 88% was in tapping according to recent statistics. The price of rubber has fluctuated between 49 cents in July and 34 cents on 30th November, and in the lower ranges has scarcely covered the cost of production except in the most efficient areas. The immediate future of the industry must, therefore, be considered somewhat uncertain, particularly if labour should be induced to make further demands for higher wages, and internal peace is not soon secured.

Despite the added revenue to be derived from the recent imposition of Income Tax, the budgetary position of the country is difficult because of the need for extensive schemes of rehabilitation and development; but apart from the large military expense resulting from present disturbed conditions, judicious planning should eventually enable Government to set the country firmly on the road towards prosperity.

Notes in circulation on 1st December, 1948 amounted to about \$400 millions which is slightly less than the figure at the close of 1947 (\$412 millions). These figures compare with an average of about \$105 millions for the first half of 1948.

The whole economic position in Malaya was over-shadowed in 1947 by the pending decisions regarding the payment of War Damage Claims, the raising of the Moratorium on debts and the effect of the proposed legislation governing debtor/creditor relationships during the Occupation period. Action in these respects has been disappointingly slow. Though the British Government have agreed to make a grant of £10,000,000 to assist towards payment of War Damage Claims, there is considerable discontent in Malaya with this contribution and with the fact that the country must shoulder so much of the financial responsibility, and so far no pronouncement regarding the actual method of payment has been made. Identical Debtor/Creditor Relationship Ordinances were passed by the Singapore and Federation of Malaya Governments in December, but cannot become law until certain connected legislation has been put on the Statute Book. Equally the Moratorium cannot be lifted until the same connected legislation has been passed. However, the country can now look forward to the settlement of these outstanding matters which have to some extent retarded progress in rehabilitation.

North Borneo

It would be true to say that the future of North Borneo would appear to be bright, though the development of the Colony has not got under way as quickly as might have been hoped, due not only to the difficulty in recruiting suitable experienced Staff for the many projects in view but also the serious shortage of local labour. However, great energy and enthusiasm are being shown by the Colonial Government and the steps which have so far been taken

indicate careful and wise planning along orthodox lines. Development of communications should receive a high priority to enable the natural resources of the Colony to be used to the best advantage of the people and to ensure a favourable trade balance.

In Sarawak progress has been maintained and the Government has proceeded further with its Development Scheme. The Colony's economy centres almost entirely around rubber, and to a lesser extent sago. The fall in the price of the former commodity immediately affects the trading position and it is therefore important that steps should be taken by Government to encourage the local population to increase the output of other primary products.

Siam

Progress continues to be slow. The trade balance is reported to be favourable although it is thought that many items of both export and import do not appear in customs returns and thus published figures may be unreliable. The export of rice continues to be a Government monopoly and arrangements for its distribution to overseas consuming markets remain in the hands of our Ministry of Food acting for the International Emergency Food Council. The success of the rice monopoly has led the Government to believe that an extension of the monopoly principle to imports might likewise prove beneficial to them, and a Government Purchasing Bureau has recently been formed. Judging from speeches by public men, it is the intention of Government to arrange for the whole of the industry and commerce of the country to be in the hands of Government sponsored concerns. There may be a certain misgiving as to the future of a country like Siam in following such a policy, menaced as it is thought to be by the infiltration of foreign elements who do not wish it well.

Siam was given the privilege of being included in the Sterling Transferable Account area in January, 1948, and Bangkok soon became the rendezvous of many a professional arbitrageur. Exchange Control in a well-disciplined country such as the United Kingdom is difficult enough to enforce and although Siamese Regulations are sufficiently comprehensive, the opportunities for breaking them which have been found to exist only too often, have caused Bangkok to be referred to, internationally, as a free market.

Indonesia

Throughout 1948 progress was undoubtedly made in the economic rehabilitation of Indonesia and in July exports exceeded imports for the first time since re-occupation. This was a remarkable achievement in view of all the factors involved.

Viewing the recent Dutch police action in Java and Sumatra from a purely commercial aspect and disregarding the various political arguments as to its justification or otherwise, the effect should be the bringing into commission

and into the realm of commerce of further wide areas—many of them formerly highly developed and productive—which since the end of 1945 have been in the hands of the Indonesian Republican Government and has consequently been isolated and inaccessible to the relative estate, mill and property owners, and to practically all those interested commercially and financially in those territories. Moreover, if—as indeed it is to be hoped—the outcome of this action should result in the eventual setting up of a responsible and fully representative Government over the whole of Indonesia, the restoration and maintenance of law and order, and peace and security and freedom of the individual, then large scale rehabilitation, greatly increased production and a gradual return to economic prosperity throughout Indonesia should follow.

Indochina

There is but little comfort to be derived from an examination of the economic position of Indochina. The French continue to incur heavy military expense to retain political control of the country and during the year very little progress has been made towards general pacification. There are, however, some signs of improvement in the economic position which reflects credit upon the French. Reliable information regarding the production of rice is difficult to obtain from zones outside military control, but in Cochinchina where the bulk of exported rice was grown before the war, cultivated areas are estimated to be about two-thirds of former figures, whilst the exportable surplus of the new crop is judged to be 700,000 tons which is about half the pre-war total. It remains to be seen how much of this rice, which the world so badly needs, can be exported. Actual exports of rice in 1948 were some 250,000 tons, nearly treble the 1947 figure, and it is clear that the virtual blockade of the milling centres which previously existed has been at least partially lifted, possibly influenced by the importation of consumer goods of which the rice cultivators have been in dire need, or perhaps because millers have been permitted to pay tribute to the dissidents to allow the rice to pass through their lines. In Tonkin the position appears in better shape and coal and cement production is increasing. The rehabilitation of the rubber plantations remains difficult, production being hampered by conditions of unrest. Exports of rubber are about the same as in the previous year at 40,000 tons, against a potential production figure of over 100,000 tons. The adverse trade balance of Indochina is estimated to be about double the figures of 1947.

Provided wise counsel prevails there is reason to believe that the inhabitants of Indochina should eventually be able to settle down in harmony with the rest of the world. The natural resources of the country could supply much that the world so badly needs, and the population has a reputation for hard work and industry; but without French help, influences harmful to the well-being of the country and its neighbours might prevail.

Philippines

The year 1948 may be considered one of consolidation. Signs that prices of the primary products which provide the bulk of Philippine exports had reached the peak and obvious indications that the import market was becoming saturated, except perhaps for constructional steel, caused merchants to proceed more warily and the trade position at the year end was not unsatisfactory.

The production of hemp in which the Philippines held a predominant position before the war, was 577,000 bales in 1948 against 787,000 the previous year and a pre-war average of 1,250,000 bales. Small production and advancing prices are driving ropemakers throughout the world to find substitutes—a tendency which bodes ill for the future of the trade. The sugar industry is recovering from its sorry state of 1945 and production shows signs of a healthy increase.

Comment is frequently made as to why the Philippines, having attained independence, stand almost alone in being the only Far Eastern country which, in such circumstances, has managed to avoid economic and political upheavals. Whilst it must not be forgotten that the Islands are still dependent on the goodwill and generosity of the U.S.A., there is no doubt there exists today within the Philippine Administration a group of able and far-seeing men of conservative and constructive opinion who are doing their utmost to make their country strong and prosperous.

An outstanding feature of the year was the preparation made for the institution of a Central Bank, finally inaugurated on the 3rd January, 1949. The legislation governing the Bank is on orthodox lines and its establishment should prove to be of great benefit to the Philippine economy. Supplementary to such legislation, a new Bank Act was passed. This Act controls all banking activity and gives Philippine banks certain protection over foreign banks. Our own Office in Manila was opened in 1873 and for 76 years we have been assisting the foreign trade of the Islands. The foreign banks have indeed played their part in the establishment of the sound economy which now exists and under the new regime they will doubtless continue to do so side by side with the local institutions.

Hongkong

Hongkong is a British warehouse at the southern entrance to China but with the virtual disappearance of Chinese currency its trade outlook with China is obviously obscured by factors hitherto unknown. Its highly organised commercial and transport facilities provide every opportunity for continued trade with the Southern Provinces but with the severe business depression in Kwangtung Province caused by political and military uncertainties, the warehouses of Hongkong are becoming full of goods, still badly wanted by a customer unable to find the means to pay for them. Certain barter business has been concluded between Hongkong and Northern Korea

which is under Communist influence, and no doubt the ever-resourceful Chinese are also contemplating barter business between Hongkong and a Communist China.

Geographically, Hongkong can never be replaced by a port in China. Its natural deep-water harbour is unrivalled between Malaya and Japan, and its efficiency rival that of any port in the world. Nevertheless, should its hinterland be cut off, its future could be that of a fuelling and repair depot for ships and a small industrial centre for manufactures saleable in world markets where cheap goods only are wanted. I prefer, however, not to regard the future from such a pessimistic angle, especially as since the re-occupation, Hongkong's entrepot trade has been greatly extended in both range and capacity.

Local conditions in 1948 were unparalleled for their prosperity, trade figures being the largest in the history of the port. The average person's standard of living was said to be the highest in the Far East and literally everything was procurable at high prices yet within the reach of the man in the street.

China

Passing northwards we come to a vast area which is causing serious concern to everybody interested in the Far East. Questions of trade are dwarfed beside the political consequences of a disintegrating administration and a disappearing currency. It is said that the Chinese people always find a way, and I hope the saying is true, because after years of war with Japan followed by internal strife they are indeed in need of a speedy solution to their troubles. Unfortunately, I have heard of nobody with a solution to offer, short of interference from outside sources. Perhaps China will revert to the position of isolation it occupied prior to the establishment of the foreign concessions, but I hope that the large number of hard-thinking and world-experienced men still to be found in China will eventually find a means of bringing relief to their sorely-trying fellow countrymen.

As far as this Bank is concerned the virtual extinction of the National Currency Dollar and then the Gold Yuan has resulted in an almost complete cessation of business. Our Tientsin Office has been to all intents and purposes cut off as a result of Communist occupation. With no possibility of business, and without any means of assisting our trading friends we have temporarily withdrawn our Officers from Chungking, Hankow and Tsingtao. Our principal Office in China, Shanghai, is encountering the growing menace of national disintegration and all possible steps are being taken to minimise the consequences of a position similar to Tientsin arising there.

Whilst our policy has of necessity been one of severe retrenchment, care has been taken to see that we shall be in a position to participate, should we be allowed, in the inevitable resuscitation of the country. Who can tell when that will be? Our thoughts are with our many Chinese friends in this time of trial.

EXCHANGE & FINANCIAL MARKETS

US\$ Market

Heavy demand by gold importers and Shanghai flight capital converting local currency into TT New York improved the local unofficial US\$ rates. Crossrates in overseas markets were considerably higher than here thus encouraging arbitrage transactions which, on account of the control over sterling inward and outward transfers, prove complicated.

Local highest & lowest rates per US\$100:—notes HK\$522.3/4—515½; DD 524½—514½; TT 526½—520, corresponding to crosses of 3.039—3.077. In New York pound notes sold between 3.12 to 3.24 but this high price had little effect on the local market where Bank of England notes quoted between HK\$15.20 to 15.30.

Gold Market

Highest & lowest rates for the week \$312½—303.3/4 per tael, cross rates from US\$48 to 48½. Fob European shipping centres from 45 to 45½, cif Saigon on the average US\$ 46½. Licence fees (so-called ready made licences including Macao import duty)

Japan

The trade Agreement between the Occupying Powers and the Sterling Area, in force for one year from July 1st, 1948, was finally signed towards the end of the year. The finance of a balanced trade of about £25 millions either way in twelve months as agreed, has proved to be a problem of some difficulty. S.C.A.P. having no sterling available with which to make immediate purchase of raw materials, the two British banks established in Japan, have provided certain, if limited, facilities to assist the working of the Agreement. Japan, being an industrial country without local raw materials, must necessarily buy them from abroad, chiefly the Sterling Area, and a sterling fund of large dimensions will have to be created if the country is to be put on its feet as a self-supporting economy. There are other problems facing Japan, however, of equal difficulty. Government expenditure is heavy and must be curbed. Inflation, and the effects of Japan's war economy have rendered it impossible to fix a rate of exchange between the yen and foreign currencies. At the moment practically every type of export would require a different exchange rate and the adjustment of internal prices to those ruling throughout the world might cause temporary disorganisation if not chaos. A rate must be fixed, however, and no doubt some attempt to do so will be made in the not too distant future.

To revive Japan, and it must be remembered that millions would starve without American-given food, foreign capital is essential. Japan cannot, within any measurable future, build up foreign exchange from its own trading resources, and it remains to be seen how American ingenuity will overcome a very real problem.

declined to HK\$7½ to 8 per oz. Transport fee per oz. from Saigon to Macao (in MATCO flying boats) on the average \$0.60. Transport from Macao to Hongkong on the average \$1 per oz. Shanghai and other Chinese cities remained anxious buyers at crossrates from US\$50 to 53. The week opened at HK\$304.5/8 and closed 309¼. Except for Tuesday there was no change over interest charged in the forward market.

Sales during the week on the spot market: 12,580 taels officially and 30,850 unofficially, a total of 43,430. About 15,000 taels changed hands among interest hedging forward operators, 42,500 exported and about 4,000 for local ornamental trades.

Imports from Macao during the week over 35,000 taels. Exports from here during the week:—(in taels) to Shanghai 8,500, Canton 5,500, Taiwan 1,500, Amoy 1,000, Swatow 500; Singapore 2,500; India (direct or via Rangoon) 2,000; Bangkok 1,500; Haiphong 1,500.

Imports into Macao continue 2 to 3 times per week, average load 30,000

ozs troy. Most imports are carried from Saigon in Catalina flying boats owned by the Macao Air Transport Co. Imports from Bangkok usually flown in by Trans-Asiatic Airlines. Monthly average imports in 1949: 200,000 to 240,000 troy ozs. About half of imported gold is re-exported from Macao to South China, with Hongkong receiving for redistribution to China and Far Eastern countries the other approx 50%.

Silver Market

New York remaining steady at 71½ to 71¾ US cents per oz; local prices show little change: highest & lowest prices in HK\$, per tael 4.03—4.02, per local and Mexican dollar coins 2.65, per 20c coins 2.06—2.05 (per five pieces). Chinese dollar coins unobtainable. Demand from outports is strong but Hongkong is sold out. Circulation of silver dollars in China has become universal; the Central Bank of China is minting insufficient quantities but promises, as usual, to relieve the shortage. Local transactions negligible and imports of silver ingots very few. A lot of 100,800 ozs from Korea was reported as having been unloaded here.

Hongkong Exchange Banks Association AGREED MERCHANT FOREIGN EXCHANGE RATES

Maximum Selling.		Minimum Buying.	
Sterling	1/2 15/16 delivery within 2 months with a cut of 1/32 for every further 3 months forward.	1/3 1/32 1/3 1/16 1/3 3/32 1/3 1/8 1/3 5/32	T.T. O.D. 30 d/s 60—90 d/s 120 d/s
(East & South Africa)		1/3 1/8 1/3 3/16 1/32nd	O/D if under L/Credit O/D without L/Credit up every 30 d/s
(West Africa & West Indies)		1/3 5/16 1/3 3/8 1/32nd	O/D if under L/Credit O/D without L/Credit up every 30 d/s
Rupees (India) 82 3/4		83 3/4 84 84 1/8 84 1/4 84 3/8	T.T. O/D 7 & 30 d/s 60 d/s 90 d/s
Rupees (Rangoon) 82 3/4		All buying rates 3/16th higher than India	
Rupees (Aden) 82 3/4		84 3/8 84 1/2 85	O/D if under L/Credit O/D without L/Credit 30 d/s & 60 d/s
Malaya \$ 52 7/8		53 1/2 53 5/8	T.T. & O/D 30 & 60 d/s
U. S. \$ and Canada \$ 24	15/16 delivery within 2 months with a cut of 1/16 for every further 3 months forward.	25 1/4 25 5/16 25 3/8	T.T. O/D—30 d/s 60—90 d/s
U. S. Notes		25 3/8	(Banks to pay Insurance and postage)
Australia £ 1/6 1/2		1/6 7/8 1/6 15/16	T.T. O/D.
New Zealand £		1/3 3/16 1/3 1/4	T.T. O/D

Chinese Currency Markets

Hongkong highest & lowest rates, per 100,000 yuan (in HK\$):—spot notes 135—50½; TT Shanghai 73—44¾; TT Canton 97—58. Depreciation of the Central Bank of China yuan is proceeding at a fantastic rate. The wonder is that this printing press money has any value at all. It is usually rejected in China for commercial transactions.

Highest & lowest rates in Shanghai, in yuan:—gold per oz 513,000—330,000; US notes 10,200—6,450; TT Hongkong 1,930—1,260. Gold cross rates from US\$50—52; HK\$ crosses from 510—530. Central Bank quotations per US\$1 from 5000 to 8000 yuan. Exchange Clearance Certificate rates from 5,400—8,700 yuan. Thus, Central Bank quoted from 22—25% below the open market and about 10% lower than the Clearance Certificate rate for exporters.

Canton highest & lowest rates (in yuan):—HK notes 1490—858; TT Hongkong 1725—1030.

Financial conditions in Shanghai are chaotic, cost of living is daily, hourly, rising. The official cost of living index was on March 15 computed at 1339, i.e. 1339 times higher than on August 19 (when the notorious "Reform" measures were decreed last year). Meanwhile cost of living has more than doubled again and it appears that not even a temporary halt to the vicious run-away inflation can be hoped for.

Daily interest rates in Shanghai ranged from 15 to 25% (following the rate of the depreciation of the "gold" yuan). Bank notes were scarce and otherwise the authorities engineered a shortage; as a result bank and private cheques—which are generally circulating as a means of payment—were discounted from 10 to 30% if notes were required. Banks refused to pay out deposits except for token sums sufficient only to settle a taxi fare. Foreign currencies, silver dollars and cheques have largely replaced the "gold" yuan in commercial transactions but for small services this scrip is still required.

Bank of Taiwan yen improved from 7 to 5 per one Central Bank yuan; unofficially the rate came down to 3½ Taiwan yen.

Remittances between the two Chinas have become more regular. In Shanghai the following banks negotiate transfers from and to North China: Sin Hua Trust & Savings Bank, Salt Bank of China, Shanghai Commercial & Savings Bank, China Industrial Bank and Kinchen Banking Corp. Rates for TT Tientsin remained unchanged which however means that the People's Bank money is also losing purchasing power as the "gold" yuan collapses. Remittances from Tientsin to Shanghai were effected from 9 to 7½ yuan per one People's Bank dollar. In Hongkong there is much business already done with North China either directly or via Shanghai; local remittance facilities have improved but most transfers are routed via Shanghai.

With the introduction of the Customs yuan (Kuan yuan) of an equivalent of US\$0.40 and the Utility unit (of 62½% of a Kuan yuan) merchants are basing their calculations on a sounder basis. The computation of the Kuan yuan and UU is however still dependent on the Central Bank of China daily rate for foreign exchange, and as this rate is usually 25% behind the free market the importance of the Kuan yuan and the UU for commercial purposes is reduced.

Payments in Shanghai.

The currency situation in Shanghai is such that the only way in which to secure a certain amount of stability is to use well-known commodities as a form of exchange. For example, a businessman in Shanghai engaged a man to do his garden. Upon asking what the charge would be, the man replied that he would do the job for 36 piculs of rice. Again, the well-known firm of Wing On & Company, have recently declared a dividend of 30,000 pieces of cloth (40 yards per piece). Vouchers representing this quantity of cloth were issued at the rate of one voucher equalling 1 piece and a bit. When presented at the shop, payment would be made for

the cloth in gold yuan at the day's market price of cloth.

The Shanghai Municipal Government issues frequent revision of the cost of living, but as these figures are not regarded as altogether reliable, the British Chamber of Commerce renders a service to the mercantile community by circularising to its members weekly a cost of living index, which covers over 100 items and upon which firms base the scale of wages for their employees, a very essential factor, in view of the daily fluctuations in the gold yuan.

Financial Reports from North China

"Provisional Regulations for remittances between North China and outside" have been proclaimed by the North China People's Government to promote exchange of materials and facilitate the sending of remittances. The regulations stipulate that all remittances are to be based on the banknotes of the People's Bank of China as the standard of exchange while the rate of exchange is to be notified by the People's Bank. The Bank of China which has been taken over by the North China People's Government is designated to handle remittances between North China and the non-liberated areas of China. The People's Bank may designate certain commercial banks to handle remittances after being granted permits. The remittance charges of these banks must be submitted to the People's Bank for ratification. Private remittances from North China to Central and South China are not to exceed 3,000 dollars for family maintenance and 2,000 dollars for students' expenses. Commercial remittances below 5 million dollars for ordering of goods and payment of delivered goods may be handled by the Bank of China and banks designated by it without prior examination. Commercial remittances exceeding this amount must however be ratified by the People's Bank before they can be sent.

The Bank of China and the Bank of Communications in Peiping and Tientsin began business on March 15, under the direction of the People's Bank of China. The North China People's Government and the Peiping and Tientsin Military Control Committees have ratified these two banks to execute specially designated functions. The Bank of China will deal

HONGKONG UNOFFICIAL EXCHANGE RATES

(In H.K. dollars)

February	Gold per tael		Silver per tael	Per One Hundred Thousand Chinese Yuan Notes				U.S. Dollar			
	High	Low		High	Low	T.T. Shanghai	T.T. Canton	Note	Draft	T.T. New York	
March											
14	304½	304	4.02	135	120	73	66	97	5.18	5.19	5.21½
15	305	303½	4.02	123½	120	67½	64½	94	5.18	5.19	5.21½
16	308½	305	4.02	112½	96	60½	56½	80	5.18	5.19	5.23
17	311	306½	4.02	98	88	54	51½	73½	5.19	5.21	5.25½
18	312½	308½	4.02	89½	68	48	44½	63½	5.22	5.24	5.26½
19	310½	308½	4.03	75	60½	50	47½	63½	5.20	5.22	5.25½

in gold, silver, foreign currencies and foreign exchange and remittances between Liberated China and KMT controlled areas and foster trade with foreign countries. The Bank of Communications will mainly handle deposits and loans to public and private enterprises, communications, industries, mines and telegraphic services.

The People's Bank as from March 15 appointed 5 commercial banks in Peiping to handle remittances between Peiping and cities outside the Liberated Areas. Other banks, money exchange shops; institutions and organizations, merchants and private individuals are debarred from doing so. These five appointed commercial banks are: the Sin Hwa Credit and Savings Bank, the Shanghai Commercial Savings Bank, the China Salt Bank, the China Industrial Bank and the Chin Cheng Bank.

Savings of Tientsin residents in the city Branch of the People's Bank are safeguarded from fluctuations of market prices by calculating deposits in terms of standard units in kind. Each standard unit consists of fixed quantities of wheat flour, cloth and corn flour. Deposited or withdrawn sums are reckoned in terms of these standard units at the average prices of these units five days before the time of depositing or withdrawal. Should prices drop and the withdrawn sum is less than the deposited sum, the Bank will pay the depositor his original sum plus interest which is also calculated in terms of standard units.

The Northeast (Manchurian) Democratic Government is floating reconstruction bonds this year. Proceeds from the sale of the bonds will go to the economic development of Manchuria. Six million of the bonds will be sold during the first half of this year, and another six million during the latter half. The value for each bond is calculated on the current prices of fixed quantities of certain commodities. It is redeemable in cash based on current prices of these commodities plus interest within a period from one to three years. This insures the bond holder against any possible wartime market fluctuations.

Malayan Currency Circulation

There were \$400,776,896 in currency notes in circulation in Malaya on Feb. 1 this year. The average amount in circulation in January this year was \$400,331,778. The figures exclude the pre-invasion note issue amounting to \$238,804,936 which ceased to be legal tender from Aug. 31, last year.

Bank Note Markets

Indian rupees found buyers up to \$110½ as supplies (from Karachi) were small. Piastre sold from \$9.80 to 10.20. Nica guilders from 32.20—32.70. Baht from 24.20—24.30. Pesos from 249 256½

HONGKONG STOCK & SHARE MARKET

There is no change in sentiment in the local share market. Prices continue on the weak side and sellers dare not come out with larger orders for fear of further rate depression. Last week's price index has slipped to the lowest point since beginning of 1947 and there is still no settling of rates at current levels discernible; some very resourceful investors appear to be anxious to dispose of their portfolios and important groups of buyers fully realising this intention are therefore bidding increasingly lower prices. The small investor is quite confused and unhappy about the developments in the local share market where he sees his savings constantly on the decline. Although it would appear, under more normal conditions, wise financial policy to buy in a sagging market—and there is plenty of idle cash in local current and fixed accounts waiting for an opportunity to earn some interest—the political uncertainty has gripped more and more people here and they feel disinclined to put their savings into a share market which has been consistently dropping without any sign for a turning point.

Fears about Hongkong's doubtful security are baseless but money here is of the most timid character and holders are reluctant to take any risks; current yields ranging from 7 to 12% for good industrials cannot induce larger purchases while sellers wish to liquidate even at heavy losses. The behaviour of the local stock and share market discredits the Colony abroad and inspires reports that the position of Hongkong is now considered less safe than a year ago. If one is to judge life in Hongkong and prospects of its economic future by the performance of the share market the conclusion would appear inescapable that the feeling of security—one of Hongkong's principal though invisible assets in the postwar period—is slowly evaporating. The remarkable thing about the price decline is that it continues in the current high dividend payment season when company reports are issued which, with very few exceptions, show better working results than at any time before and when current earnings are reported to be on the same level as in 1948.

Volume of Business:—Total sales reported amounted to 126,766 shares of an approximate value of \$2 millions, a decrease of about ½ million compared with the preceding week.

Price Index:—The Felix Ellis averages based on the closing prices of twelve active representative local stocks closed at 133.25 for a net loss of .98 compared with the close of the previous week. Day-by-day his averages were: Mar. 14, 134.01; Mar. 15, 133.57; Mar. 16, 133.54; Mar. 17, 133.38; Mar. 18, 133.25;

	High	Low
1947	155.82	123.83
1948	148.68	134.05
1949	138.37	133.25

The Telephone Co. is reported to have acquired the Exchange Building from the Nemazee Estate for \$6 millions. This building which houses the telephone exchange and Lane Crawfords was sold by Lane Crawfords to Nemazee in 1941 for \$2.8 millions. Through the intervention of the war the completion of that transaction did not take place until 1945.

The China Entertainments will be paying a cash dividend of \$3 per share, an increase of 50 cents over the previous year, and are considering a bonus of one share for every one share held.

Yaumati Ferry has declared \$2 on the old share and \$1.80 on the new ones. After payment of this dividend there will be no difference between the new and old shares. They are still unquoted in the Stock Exchange. Recent transactions over the counter have been put through at \$26 for the old and \$24 for new shares.

THE HONGKONG AND KOWLOON WHARF AND GODOWN COMPANY, LIMITED

(INCORPORATED IN HONGKONG)

Notice To Shareholders

Ordinary Yearly Meeting

Notice is hereby given that the Fifty-eighth Ordinary Yearly Meeting of the Members of the Company will be held at the office of Messrs Jardine Matheson & Company Limited, Pedder Street, Hong Kong, on Monday, the 11th day of April, 1949, at Noon, to transact the following business:—

1. To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31st December, 1948.
2. To sanction a dividend in respect of the year 1948.
3. To elect two Directors.
4. To appoint Auditors.

Closing of Transfer Books

Notice is also given that the Transfer Books and Register of Members will be closed from the 28th March, 1949 to the 11th April, 1949, both days inclusive.

By Order of the

Board of Directors.

G. B. S. THOMSON,
Secretary.

Hong Kong, 21st March, 1949.

The Budget of Hongkong for the fiscal year 1949/1950

The estimates for the fiscal year April 1, 1949 to March 31, 1950 provide for \$180 million revenue and \$179½ m. expenditure. The revised estimates for the current fiscal year are as follows: (all figures in millions of HK\$): revenue 184, expenditure 160, a revenue balance of 24. These revised estimates exceed the original estimates by \$32½ m. on the revenue, and 9½ m. on the expenditure side.

The actual revenue and expenditure for fiscal 1947/48 amounted to

		excess over estimate
revenue ..	\$ 164,298,310	54,458,560
expendit. ..	127,701,174	17,914,841
balance ..	36,597,136	

The revenue balance as at April 1, 1948 amounted to \$37,063,396, while the estimated revenue balance at the end of the current fiscal year (March 31, 1949) is \$61 m.

Revenue estimates for 1949/1950 (in millions of HK\$):

Duties 34½ Assessed taxes 15½; Internal Revenue 61½ (of which earnings & profits tax 40, the rest from entertainment and betting tax, and stamp duty); Licences, fines & forfeitures 6.7; Fees of Court 13.7; Water 4.8; Post office 7.6; Railway 5.6; Land & rents revenue 3.7; Miscellaneous 5.4; Grant from UK Govt. 16; Land sales 2½.

In view of the disturbed conditions in the Far East generally, the revenue estimates have been framed on a conservative though not on a pessimistic basis. In spite of special efforts to reduce expenditure, it was not found possible owing to the heavy defence

Business Done:

Banks: H.K. Banks at 1750, 1747½, 1735, 1720; Bank of East Asia at 137. Insurance: Canton at 370; Union at 710; China Underwriters at 6.30, 6.20; H.K. Fire at 268.

Shipping: Asia Nav. at 85c, 82½c. Docks & Godowns: Wharfs Old at 136½, 135; North Point Wharfs at 6½; Wheellocks at 30½.

Hotels & Lands: H.K. Hotels at 14.30, 14, 13½, 13.30, 13½; Lands at 57½, 57, 56½; Shai Lands at 3¼, 3.10, 3.20, 3.15, 3.20, 3.10, 3.15, 3.10, 3.05, 3; Humphreys at 13, 12.80;

Utilities: H.K. Trams at 19.30, 19, 18.80, 18½, 18.40; Star Ferry at 121; Lights Old at 14.70, 14.60, 14½, 14.40, 14.30 and New at 10.70, 10.60, 10.30, 10.20, 10.10, 10.20, 10.30, 10.20; H.K. Electrics at 36½, 36¼; Telephones at 31¼, 31½, 31¼, 31, 30¾.

Industrials: Cements at 35¼, 35¼; H.K. Ropes at 20¼, 19.80, 19½; Dairy Farm Old at 40½, 40, 40½; Watsons at 52, 51¼, 51½, 51¼, 51.

Stores: Sinceres at 6.80; China Entertainments at 43½, 43¼, 43; Yangtze at 4.40.

Cottons: Ewos at 8.70, 8.80, 8.90, 8.80, 8.90, 8.60, 8½, 8.20.

and security commitments to balance the budget on the existing basis of taxation. It is therefore proposed to raise additional revenue to the extent of \$1,600,000 by the introduction of the following measures:—(a) To double the present duty of 24 cents a gallon on table waters which is equivalent to a tax of 4 cents a bottle as compared with the present rate of 2 cents. This measure is expected to yield \$500,000, but with the keen competition now existing between manufacturers of aerated waters, it is hoped that this extra 2 cents per bottle will not be passed on the consumer. (b) Local postal rates still remain at their pre-war level, and it is generally admitted that they are low. It is proposed to increase the basic local letter rate from 5 to 10 cents, and that for post-cards from 2 to 5 cents. This is expected to yield additional revenue to the extent of \$350,000. (c) To raise the stamp duty on cheques and receipts from 10 to 15 cents, and also to recover some portion of the administrative costs involved by requiring all applications for import and export licences in future to bear a \$1 stamp. These measures are expected to produce \$650,000. (d) To introduce a licence for concerns engaged in the manufacture of finished products from raw materials or in the repair of finished products. The fee would be on a graduated scale according to the number of workers employed or floor space occupied. The yield is expected to be just under \$100,000 and this assumes fees of \$100, \$150 and \$200.

ESTIMATED EXPENDITURE FOR THE FISCAL YEAR 1949/1950

Number of Vote	Title of Vote	Amount of Vote \$
1.	H.E. the Governor ..	231,297
2.	Agriculture Department	730,228
3.	Audit Department ..	243,807
4.	Civil Aviation Department	834,430
5.	Colonial Secretariat and Legislature ..	1,084,823
6.	Department of Commerce and Industry ..	1,279,079
7.	Co-operatives and Marketing:	
	A—Fish Marketing Organization ..	73,927
	B—Vegetable Marketing Organization	76,852
8.	District Office New Territories	336,790
9.	Education Department	5,085,335
10.	Fire Brigade	1,184,104
11.	Fisheries Department ..	121,593
12.	Forestry Department ..	429,896
13.	Gardens Department ..	349,381
14.	Hong Kong Defence Force:	
	A—Hong Kong Regiment	2,280,503
	A—Hong Kong Naval Force ..	209,282
	C—Hong Kong Air Force	135,930

15.	Inland Revenue Department	815,205
16.	Kowloon Canton Railway	5,443,695
17.	Labour Department ..	286,335
18.	Legal Department ..	370,874
19.	Magistries:	
	A—Hong Kong Magistracy	130,099
	B—Kowloon Magistracy	112,782
20.	Marine Department ..	4,802,137
21.	Medical Department ..	12,601,935
22.	Miscellaneous Services	37,832,100
23.	Pensions	6,720,000
24.	Police Force	12,633,722
25.	Post Office, Broadcasting and Telecommunications:	
	A—Post Office	3,664,958
	B—Broadcasting ..	352,509
	C—Telecommunications	979,314
26.	Prisons Department ..	3,934,617
27.	Public Debt	5,486,841
28.	Public Relations Office	160,988
29.	Public Work Department	4,349,180
30.	Public Works Recurrent	12,632,000
31.	Public Works Extraordinary	19,618,000
32.	Rating and Valuation Department ..	196,901
33.	Registrar General's Department	166,750
34.	Royal Observatory ..	404,588
35.	Sanitary Department and Urban Council ..	5,724,186
36.	Secretariat for Chinese Affairs:	
	A—Secretariat for Chinese Affairs ..	177,111
	B—Social Welfare Office	799,563
	C—District Watch Force	186,069
37.	Statistical Department	128,428
38.	Stores Department ..	6,591,432
39.	Subventions	13,250,877
40.	Department of Supplies and Distribution	792,486
41.	Supreme Court	414,701
42.	Treasury	780,245
43.	Custodian of Property	42,600
44.	Colonial Development and Welfare Schemes	2,316,480
Total		\$179,586,970

Expenditure items were influenced by considerations of security, total cost of items having direct or indirect bearing on security amount to \$26 m. Personal emoluments aggregate \$73.8 m.

Camphor, Its Oil and By-Products in China and Formosa

(Special to the "Far Eastern Economic Review")

Common camphor, being the well-known natural product of characteristic odour derived from the camphor tree (*LAURUS CAMPHORA* or *CINNAMOMUM CAMPHORA*), which grows in China, Formosa, and to a limited extent in Japan and New Zealand, is obtained by distillation of the chopped-up branches, roots or leaves of the tree. Camphor obtained in this manner is associated with camphor oil and is somewhat lighter than water; the specific gravity varies between 0.980 to 0.996. Its solubility in water is very slight, about one part in a thousand, but it is easily soluble in ether, alcohol, chloroform, acetone and fixed oils and crystallizes in glistering prisms. Its melting point is about 179°C.; boiling point, 209°C.; iodine value, 1.5; it vaporizes rapidly when exposed to the air, and sublimates without residue when heated. It is highly inflammable and burns with a smoky flame. By reduction it yields cymene, and by oxidation with nitric acid, it yields dibasic camphoric acid. It possesses a peculiar fragrant odour and tastes more or less bitter, a burning taste being followed by a sensation of cold.

Camphor is largely used in the manufacture of nitrocellulose products, such as Celluloid, Xylonite, Pyralin and as an ingredient of blasting gelatin and smokeless powder. Since it has distinct though not very powerful antiseptic properties which are mimical to insect life, it is employed for preserving of animal specimens in museums. Camphor is extensively used both externally and internally in medicine. Overdosage is however poisonous and could cause cardiac depression, convulsions, retention of urine and even collapse. The three principal preparations of camphor are (1) 0.1% Camphor Water; (2) 10% Spirit of Camphor; and (3) 20% Liniment of Camphor or Camphorated Oil, B.P.

Large commercial supplies of natural camphor and its oil come from Formosa, which amount usually to 60% of world's total production; 30% are produced in Kiangsi, Fukien, Kwangsi and Chekiang Provinces in China proper, while the rest of 10% is drawn from Japan and New Zealand.

Camphor trees thrive best on hilly regions at an altitude between 500 to 2,000 meters above sea level. Above or below this altitude, the yield of camphor will be much reduced and will be inferior in quality. Climatic and soil conditions as well as the maturity of the trees also affect the composition of camphor.

Manufacturing Processes

The crude distilling process, as carried out in Fukien, Kiangsi, Kwangsi, and Chekiang Provinces, is done by placing the chopped branches, roots leaves of the tree as the case may be in a wooden vat or vessel together with water heated under direct fire. The vapors thus formed come off and are passed into a clay vessel, where they are condensed by the circulation of cold water through bamboo pipes which are placed on top of the vessel. Camphor and its oil then come off together with the water vapors through the bamboo pipes into another earthenware vessel which is divided into two separate compartments by a partition, and here is an opening in the upper part. Upon cooling, as camphor and camphor oil is lighter than water, they will rise to the surface and flow out through the opening in the partition into the second compartment, from which it is at last drawn off. Products thus obtained are known in commerce as crude camphor and crude camphor oil.

Crude camphor may contain as much as 10% impurities which consist largely of dirt and non-volatile matter, water and camphor oil. As

liquid portions of impurities settle at the bottom of the container, care must be taken when sampling. Generally, when 10% of camphor oil is present in camphor, it can be easily detected as the melting point of camphor will be lowered from 179°C. to 160°C. Iodine Value is another good indication as to the amount of oil present, as that of pure camphor seldom exceeds 1.5 while that of pure camphor oil is around 130.

Formerly crude camphor and oil thus produced were sent to Europe and U.S.A. for refining, but since the installation of modern refining equipment by the Nan Men Camphor Corporation in Taipeh, Formosa, they are now refined in Formosa. Nan Men Camphor Corp. was established in 1902 with Japanese capital, but in 1945 was taken over by the Chinese authorities; it is one of the largest of its kind in the Far East. The refining factory is divided into Distillation and Sublimation Plants. Modern equipment of Distilling, Condenser, Fractional apparatus, etc. in the Distillation Plant can refine 5,000 tons of camphor oil annually.

When re-distilled, crude camphor oil becomes white oil, red oil, blue oil and eventually terpineol, Ho (shiu) oil as well as light and heavy oils. The Sublimation Plant is equipped with Subliming Retorts, Cooling Chambers, Hydraulic Presses, etc. Maximum annual production of the Nan Men Corp. is about 4,000 long tons of refined camphor powder and tablets.

Crude camphor is sent to the Sublimation Plant where it is mixed at a certain proportion with lime and charcoal. From the iron retorts camphor is sent into cooling chambers where it condenses into "flowers" in the form of small crystals. The refined powder is then pressed by hydraulic presses into semi-transparent tablets.

Marketing Situation

Due to the fact that synthetic camphor is now produced on a large scale in Europe and America prices for natural camphor are far too high. The only observable difference be-

tween natural and synthetic camphor is that the former rotates the polarized light ray while the latter is optically inactive. Chinese camphor industry is now facing the challenge of particularly the synthetic industry of U.S.A. In order to meet the powerful competition, engineers in the Nan Men Camphor Corp. have tried to cut down the cost of production, by the utilization of roots and leaves of the tree for distillation, and by research in the fractionating of camphor by-products which command higher prices than the original camphor oil.

Normally, true camphor oil is being obtained as a secondary product from camphor, the primary product, and it should contain therefore all the camphor during the distillation process. However in practice the camphor is entirely or partially removed and the residuum is known as camphor oil in commerce. Crude camphor oil thus obtained is a very complicated mixture of constituents as listed hereunder (only a limited number are fractionated in Formosa at present):

- (1) Acetaldehyde (2) d-a-pinene
- (3) Camphene (4) d-fenchene (5) n-pinene (6) Phellendrene (7) Cineole
- (8) Dipentene (9) d-limonene (10) Borneol (11) Camphor (12) Terpineol
- (13) a-terpineol (14) Citronellol (15) Safrol (16) menthenone-3 (17) carvacrol (18) cumic alcohol (19) eugenol
- (20) Bisabolene (sesquiterpene) (21) cadinene (22) caprylic acid (23) an acid-C₈ H₁₆ O₂ (24) a blue oil.

Various forms of camphor oil have appeared in the market according to the methods of preparation as well as the extent of various constituents which were removed thereby. It is not possible to set a scientific standard to judge the oil. However the quality of oil is usually valued by its specific gravity which gives a good indication of its general quality. In order to ascertain its quality, samples must be taken for analysis. A brief description of characteristics and uses of camphor oil and its by-products found in commerce may be summed up as follows:—

Crude Camphor Oil:— Generally speaking, crude camphor oil as distilled from the branches, roots, and leaves of the tree after the removal of crystalline camphor, has a pale yellow to dark brown colour with specific gravity which ranges from 0.95 to 0.958. It is then redistilled into white and red camphor oils. The latter two oils are further fractionated into safrol, light oil, heavy oil, blue oil, Ho (shiu) Oil, terpineol, etc.

White Oil:— This oil is obtained from the lower boiling range portions and contains largely terpenes together with a small quantity of cineol. Specific gravity at 15°C. varies from 0.870 to 0.895 but seldom over 0.885 in commerce.

Red Oil:— It is obtained from those oils boiling higher than camphor and it contains safrol, linolal and sequiterpenes. Its specific gravity at 15°C. varies between 1.020 to 1.035. Refractive index at 20°C. is around 1.5172, optical rotation (100 mm. tube) equals +3.2°, safrol content is approximately 40% and cineol is absent.

White and red oils are further fractionated to obtain safrol, terpineol, light oil, heavy oil, Ho (shiu) Oil, etc. The characteristics and chemical properties of these by-products vary according to the nature of the original oil.

Light Oil:— The specific gravity is between 0.87 to 0.895 but rarely above 0.885. Its boiling point ranges from 175°C to 200°C. or over. It is used in the printing industry for turpentine in the manufacture of varnishes.

Heavy Oil:— The specific gravity of heavy oil at 15°C. is about 0.950, and the boiling ranges from 270°C to 300°C. It is used in the soap and cosmetic industries, in varnish making, shoe and floor polishes, etc. Safrol is the main constituent of this oil.

Blue Oil:— This oil is obtained at the boiling range of about 300°C. with specific gravity at 15°C. about 0.955. It uses are more or less similar to heavy oils.

Safrol:— Upon redistillation and fractionation of the red oil from the wood and root of the camphor tree, safrol or "artificial sassafras oil" as known in commerce is obtained. Its characteristics are as follows: specific gravity at 15.5°C. varies from 1.103-1.05; refractive index at 20°C. around 1.5380; optical rotation (100 mm. tube), +0; and as to solubility, it is completely soluble in 3 volumes of 90% alcohol. Safrol is the chief constituent of genuine oil of sassafras but that obtained from red camphor oil is exactly identical in chemical property. Its principal use in the cosmetic industry is in the manufacture of the well-known artificial perfume called heliotropin and also for the scenting of soaps.

Ho (shiu) Oil:— This oil is obtained from redistilling and fractionating red oil, and contains a large percentage of linolal, and it is used in the cosmetic industry for the manufacture of artificial perfumes. The specific gravity of Ho Oil at 25°C. is between 0.86 to 0.88; optical rotation at 20°C. (100 mm. tube), is 6.8; alcohol percentage (by Zinc Chloride dehydration process) is 90% or over.

Terpineol:— Terpineol as redistilled from the crude camphor oil is colourless and optically inactive with the following characteristics: specific gravity at 15.5°C. between 0.933-0.941; boiling point, 217-220°C.; refractive index at 20°C., 1.4800-1.4850; and optical rotation at 20°C. (100 mm. tube) is zero. Upon dilution it has a characteristic fragrant odour of hyacinth or lilac flowers. It is insoluble in

water, but dissolves readily in alcohol and ether. Due to its high boiling point and being easily attacked by alkalis and fatty acids, it is largely used for the perfuming of toilet soaps.

Crude Camphor Roots Oil:— The composition of camphor oil as distilled from the roots varies according to the locality where they grow, climatic and soil conditions as well as the maturity of the tree. After the removal of camphor crystals, root camphor oil is exactly identical in composition with that from the wood and it also contains safrol.

Crude Camphor Leaf Oil:— Crude oil distilled from the tree leaves is rich in crystalline camphor and resembles in every respect the oils obtained from the wood and roots except that it contains no safrol.

Due to the utilization of the whole of the tree in the production of oils in Formosa, root and leaf oils are now completely mixed up with that from the tree in order to obtain maximum yield from the available source of supply, in order to reduce the cost of production.

Current market quotation of natural camphor, camphor, camphor oils, and its by-products are as follows:—

Crude Camphor:
guaranteed percentage, 90-95%,
packed in drum of 420 lbs.
@ US\$0.71 or Sterling 4/10d per lb.

Camphor Powder:
Refined powder, B.P., purity 99.3-99.6%, packed in case of 100 lbs. nett
@ US\$0.94 or Sterling 6/3d per lb.

Camphor Powder, BB, purity 99.2-99.3%, packed in case of 100 lbs. nett
@ US\$0.89 or Sterling 6/-d per lb.

Compressed Camphor Tablets:
B.P., purity 99.3-99.6%, packed in 100 cartoons of 1 lb. each to one case
½ oz. tablets—@ US\$1.10 or Sterling 7/6d per lb.
¼ oz. tablets—@ US\$1.15 or Sterling 8/6d per lb.

White Camphor Oil:
Packed in steel drum of 400-420 lbs.

Specific Gravity (15° C.) 0.87-0.895
@ US\$0.32 or Sterling 2/2d per lb.
Specific Gravity (25° C.) 1.020-1.35
@ US\$0.37 or Sterling 2/6d per lb.

Safrol:
Packed in drum of 420 lbs. nett
Specific Gravity (15.5° C.) 1.103-1.105.
@ US\$0.65 or Sterling 4/5d per lb.

Ho (shiu) Oil:
Packed in drum of 420 lbs. nett
Specific Gravity 0.86-0.88 at 25° C.
@ US\$0.17 or Sterling 42/-d per lb.

All prices quoted, unless otherwise specified, include Cost and Freight to U.S.A. and European ports of direct call.

Bristles of Yunnan

By Jenshine Shen

1. RAW BRISTLE MARKETS AND QUALITIES OF RAW BRISTLES:

The productive areas of Yunnan raw bristle are scattered all over the province. The countryside and mountainous villages produce regularly raw bristle, pork being the staple dish for average Chinese. However, only a few dealing centres of raw bristle exist in this province, viz. Suan-wei in the East, Shakwan and Ho-ching in the West and a central market in Kunming, the capital.

As to the quality of Yunnan bristle, there is a difference between the East and West. Firstly, for the 17 assortment case, raw bristle from Eastern districts give more rifling to 2-3/4"; while that from Western districts give more 3" to 6" but short of 2 1/2" to 2-3/4". Secondly, the East bristle is softer while the West one is much stiffer. Bristle dressers should have both qualities blended together and thus bring the finished goods complete in length range and suitable in stiffness.

Kunming, being the business centre of Yunnan province, is a market of bristles from both East and West districts. Farmers or butchers bring their raw bristle down to the city. They stay in hostels of very primitive style, or wait in small tea shops until bristle dealers get in contact with them.

The dressing plants could hardly get in direct contact with farmers or butchers who bring the raw bristle, since those small dealers of raw bristle with their local influence, control the market and force out those real purchasers who are not in their guild. However, dressers and purchasers should be in a guild and pay fees for admission. Traditionally, it seems that those dealers are allowed to exist in the market.

Since the malignant inflation of "gold" yuan notes, no dealing is made on this basis. The raw bristle is dealt on the basis of local silver dollars or cotton yarn exchange basis. The recent rate of the local silver dollar is around G.Y. 1200 to one, and the 10's cotton yarn produced by local spinning mills costs 18-20 local silver dollars per strand.

The market in Suan-wei is controlled by the Education Bureau of that Hsien. The Bureau collects all the raw bristle from first hand producers and at an auction sell twice a year. No one is allowed to carry away even one stick of bristle which is not obtained through bidding.

Markets in Sha-kwan and Ho-ching have an open price of bristle. In these two places the price is a little lower than that in Kunming. As bandits are very active in this province, the money operation is rather difficult. Unless the political condition would be improved, these markets could never be prosperous.

Estimated crop of raw bristle, both East and West areas, is from 8,000 piculs to 12,000 piculs annually, depending on whether there is a purchaser of importance or only irregular demand.

2. THE GENERAL PRACTICE OF RAW BRISTLE DEALING:

The practice of bargaining is briefly as follows:

(1) Small dealers having bought their goods, show the entire lot of raw bristle to dressing plant or real purchaser.

(2) The purchaser examines the average length of that lot, and estimates the approximate impurities contained in that lot (as cord, entangles, hog hair but not bristle, mud, etc.)

(3) Price haggling.

The bargain is not made by talking but by finger gestures under the table, under the gown, or in the pocket. There is no reason why this should be. The seller, or mostly the broker, and the buyer touch their hands and make the deal. (1st finger denotes 1, 10, or 100 etc. 2nd. and 1st. two fingers denote 2, 20, or 200, etc. 1st., 2nd., and 3rd., three fingers denotes 3, 30, 300, etc. 1st., 2nd., 3rd., and 4th., four fingers denotes 4, 40, or 400, etc. All five fingers together denotes 5, 50, 500, etc. The thumb denotes 6, 60, or 600, etc. By bending the small finger 7, 70, or 700, etc. The thumb and the first finger together denote 8, 80, or 800, etc. By bending the first finger 9, 90, or 900, etc.) No one except the buyer and seller or broker could know the price settled for the lot.

The brokerage is 1% paid by the seller.

(4) Weigh the lot and take off 3% which is reserved by the buyer for paying guild fee and compensating cord loss.

(5) The buyer pays either local silver dollars or cotton yarn instead of the discarded yuan money.

3. THE 17-ASSORTMENT AND ESTIMATION OF PRICE OF RAW BRISTLE.

The raw bristle is purchased on such a reasonable price basis as explained below:—

(1) Examine and estimate the average length of the lot of raw bristle. This is a technique gained by experience. A well-trained expert should be provided for this purpose.

(2) Estimate the percentage of loss

Length	Catties per case of 17-Assortment	Standard Reference Unit Price of Dressed Bristle.	Total Ref. Value
Rif.	25	210	5250
2-1/4"	15	460	6900
2-1/2"	12	710	8520
2-3/4"	11	960	10560
3"	10	1240	12400
3-1/4"	8	1520	12160
3-1/2"	6	1800	10800
3-3/4"	4	2040	8160
4"	3	2280	6840
4-1/4"	2	2600	5200
4-1/2"	1-1/2	2920	4380
4-3/4"	1-1/4	3240	4050
5"	1/2	3560	1780
5-1/4"	1/4	3880	970
5-1/2"	1/4	4060	1015
5-3/4"	1/4	4060	507.5
6"	1/4	4060	507.5
	100 Catties		100,000

on dressing of that lot of bristle.

(3) Get contact with foreign market to be informed about the up-to-date quotation of Yunnan bristle.

(4) Get the up-to-date rate of Exchange Clearance Certificate.

(5) Determine the price that would be paid for that lot of bristle.

An example:—One gets a lot of raw bristle, and the expert estimates it will be of average length of 3" and the total loss will be about 30%, in other words only 70% is useful. If New York quotes that day U.S.\$4 per pound of Yunnan bristle, and the clearance rate on the same day is 4,000 Yuan per US\$1, the price of dressed bristle in New York market would be: $4 \times 133.33 = \text{US\$}533$ per 100 catties, or $533 \times 4000 = \text{G.Y. } 2,132,000$ per 100 catties.

To consult the table given above, unit price of 3" (dressed) is 1240 units per catty corresponding to the total value 100,000 units per 100 catties. Now, the known price is G.Y. 2,132,000 per 100 catties, the 3" should be:— $1240 \times 2,132,000 = \text{G.Y. } 26,436$ per catty.

100,000

That is the price of dressed 3" bristle. For the raw bristle of equal length, only 70% is supposed to be useful, the equivalent price should thus be: $26,436 \times 70\% = \text{G.Y. } 18,505$ per catty.

The costs such as labour for the dressing process, freight for shipping to the market, and interest of capital, etc., are estimated at 30% of the value of bristle. Then, the raw bristle should be paid 30% less instead of paying the price calculated above:— $18,505 \times 70\% = \text{G.Y. } 12,953$ per catty.

Moreover, the dressers should expect their legitimate profit of 20%. The price of the raw bristle should be still 20% off, thus:— $12,953 \times 80\% = \text{G.Y. } 10,362$ per catty.

If the rate of local silver dollar is one to G.Y. 1000, the purchaser should pay for this lot of raw bristle 10.36 local silver dollars so that the bargain is fair.

We obtain accordingly a good formula for the purpose of calculating the proper price of bristles in the Yunnan market. The formula is as follows:—Reference unit price (as per table) divided by 100,000, times the foreign market price per pound, times 133.33, times the Exchange Clearance Certificate rate of the Central Bank of China, times the percentage of the purity of raw bristle, times 70% (cost of production, labour and transport), times 80% (on the basis of 20% profit), divided by the current rate of the silver dollar in Yunnan—the result is the amount of silver dollars per one catty (1.333 lbs) of raw bristle.

Editorial Note:

The Yunnan bristle market offers considerable opportunities to traders but the business of buying at the proper market price requires skill and astuteness. Under present almost chaotic currency conditions in China ordinary merchant business has become increasingly complicated with the more alert type of trader reaping adventitious profits. In the Yunnan bristle market

Trading in Chinese and Korean Minerals and Oils

On January 7th, 1948, Hongkong Government declared that all Ores originating from China had to be registered with the Import and Export Dept. and those parcels that were not registered (unless with official sanction) would not be permitted to leave the Colony without an Export License. Previous to this ruling, Ores such as Wolfram, Antimony, Ferro Tungsten, Scheelite, Copper, Tin and Lead etc. had been smuggled from China to Hongkong. China had long banned the exportation of its Ores as the Government had utilized all mines and unless Official Exchange and Permits were granted to individual mine owners, their entire output were to be handed over officially to the Government, at fixed prices.

The Government of Hongkong had agreed to work in close co-operation with the Chinese Government and therefore it was now useless for smugglers to export their Ores into Hongkong as exporters were unable to receive an Export License here. Although it took some time for mine owners to understand that Hongkong Government meant business in their action and small trickles of cargo were still smuggled into the Colony, they began to realize that their cargo was worthless as there were no ready buyers willing to purchase these Ores due to their inability to re-export same elsewhere.

Korea, rich in Mineral Deposits, then came into prominence. Due to Korean regulations, all exports from Korea must be bartered for in exchange for Newsprint, Rubber, etc., and subsequently parcels of different types of ore were exported on a large scale to Hongkong. The principal Ores that arrived in Hongkong from Korea on a barter basis were Wolfram, Scheelite, Ferro Tungsten, Bismuth, Molybdenite, Zinc, Copper, Lead, Zircon Sands, Monocite, Graphite, and Beryllium Ore.

The World was hungry for Ores, as the above mentioned Ores were mostly utilized for War materials. Up to

a few months ago, the exportation of all Mineral Ores from Korea amounted to a large tonnage but due to political unrest in that country the arrivals of different types of Ores have steadily decreased and at the present moment there are small lots of Ores coming in.

There are here enterprising firms that find it to their advantage to charter ships for Korea in order to fill their orders from abroad and one can imagine the huge profits made when these local enterprising firms were willing to out-lay huge expenditure for chartering of ships etc. Where losses were suffered it was due to the fact that certain firms who were willing to engage in this business lacked the expert knowledge of dealing in this highly specialized business, and in bartering for their goods, did carry Ores from Korea which were so inferior in quality that they gave the purchasers abroad the right to reject as the main constituent on each Ore must not fall below a certain standard. Thus, the local market has been gradually operated by a few firms which are well-versed in the intricate dealings of Ores and those that were not well acquainted in this line of business but went in due to the large demands from abroad have found it, to their regret, disadvantageous to continue in this line, and have gradually dropped out from the picture.

The local export firms are inundated with orders from abroad which cannot be all fulfilled and the position stands to-day whereby even poor quality Ores are in good demand.

We give hereunder the standard quality of Ores which are required throughout the World as well as the approximate market prevailing prices:

Wolfram—Wo3 65%—US\$18.00 per unit.

Ferro Tungsten—70% W content—approx. HK\$8,000.00 per ton.

Bismuth—30% Bi metal content—US\$21.00 per unit.

Molybdenite—50% Mo content—HK\$2,700.00 per long ton.

Scheelite—Wo3 68%—US\$20.00 per unit.

Copper and Lead—90%—US\$0.18c. per lb.

Zinc—Zn content 45%—US\$52.00 per long ton.

Beryl Ore—Beo content 10%—US\$16.00 per unit.

Graphite—Carbon content 75%—HK\$120.00 per long ton.

The above Ores are in constant demand and the prices given are on a C & F basis.

The above mentioned minerals are purchased by consumers throughout the World who have to refine the raw materials and manufacture same into various essential War products. It can be easily visualized why the demand from all parts of the World has greatly increased, and large factories which produce these War products are forever on the lookout for all parcels that may be offered.

Wolfram Ore (Tungsten)

Tungsten is a rare metal discovered in 1781 by Scheele. It occurs in two minerals "Scheelite", "Calcium tungstate" and Wolframite, "Iron and manganese tungstate", and in smaller proportions in other rarer minerals. The reduced metal forms resplendent tin-white or grey plates or a dull black powder. It weighs nineteen times as much as water and melts at a very high temperature (perhaps 3000 deg. C.) It is a very hard metal, but by special mechanical treatment can be obtained in a soft and malleable state resembling platinum. It is unalterable in ordinary air; oxygen and chlorine act upon it only at a high temperature. Hydrochloric and sulphuric acids do not attack it. Nitric acid attacks it slowly but aqua regia will dissolve it, forming a trioxide. It is a good electrical conductor. It will combine with carbon, chlorine, iodine, bromine, oxygen, phosphorus and sulphur, and can form an acid with hydrogen and oxygen.

Wolfram ore is found in China. Scheelite (also known as tungsten, which means in Swedish "heavy stone") calcium tungstate was discovered in Chenchowfu, Hunan, by a Chinese engineer, and some shipments were made through Hankow in 1916, but ceased owing to labour troubles in 1917. Tungsten is also found in the hills to the South and South East of Puerh Fu, (Chien Pien Ting district) in the Wa states near the Burmese border. It is usually found in small crystalline lumps or lustrous laminae and is obtained from river washings in conjunction with gold and tin. These deposits in Yunnan are not yet worked but the corresponding ores in Burma are being worked.

There have been reports of the discovery of this metal in several parts of China, but nothing has yet transpired to show that it can be profitably worked. From what has reached here, one may expect considerable development during the next five years.

1,000 piculs of wolfram ore were imported into China through Manchouli (Siberian frontier of China) for the first time, in 1920.

The ore is not reduced but is exported. Owing to the very high melting point it is difficult to reduce tungsten to a coherent form. By roasting to complete oxidation and reducing the oxide to metal by passing hydrogen over it in a platinum tube it can be reduced to powder. The powdered metal may be dissolved in mercury and cadmium, the resulting amalgam made into a wire and the other two metals driven off by electrically heating the wire. Another method is to press the powder into a wire and roll and hammer it at high temperature, until it becomes plastic. Still another method (Von Bolton's) is to form the oxide into a rod with paraffin and carbon, bake

many prominent firms have been overpaying out of lack of correct appreciation of market conditions, thus disturbing price levels and contributing to a higher native price trend. A Chinese firm (Nanyang Development & Finance Corp.) and an American concern (International Supply Corp.) have recently, without realising the implications of their high price purchases, strengthened the Kunming market, a development which is viewed with anxiety by other traders. In order that bristle merchants may obtain a clearer picture of the market situation in Kunming the above article has been published and the Editor of this Review will be glad to airmail any inquiries of local traders as to bristle business and prices to the author of the article who is a well-known authority on this subject.

it to a high temperature and pass a strong current through it. The oxide is a conductor and in the process of heating it decomposes. The oxygen is pumped away, leaving the pure metal.

Packing:—Like other valuable ores, tungsten should be boxed in small units which can be handled easily.

Measurement:—Tungsten is measured by weight, the metal content being specified.

The ore can only be tested by chemical analysis, and special consideration must be given to the other metals which may be present. The weight is some indication of its purity.

The ore is sold on foreign markets c.i.f., and should be analyzed before shipment to follow a specified tolerance of impurity.

The ore is not spoilable so that no special precautions, except against theft, are necessary.

Uses:—The principal use of tungsten is in the manufacture of high speed tool steel, to which it conveys the very valuable property of retaining hardness at great heat so that with tools of this compound much higher working speeds are possible. The economy consequent upon such high speeds is very marked.

The next most important use is in the manufacture of filaments for incandescent electric lamps. Filaments can be made which give twice as much light for the same power as the best carbon filaments, and some 30% more than tantalum filaments. This result arises from the very high melting point of the metal. To secure sufficient resistance for lighting purposes a rather long filament is necessary, which result is achieved by a succession of loops.

It is also used for the sparking points in gasoline engines and for the contact faces of electric switches carrying large currents.

Tungsten steels are used in armour plate and other cases where great hardness is required.

Sodium tungstate is used as a fire roofing for cloth and also as a dyeing mordant.

Tungsten is sufficiently rare and industrially valuable to present considerable opportunities for the development of its export, and will probably become of more commercial importance. New uses are continually being found for rare metals with high melting points wherever durability is an essential. Their value is such that the minute cost of transporting the elements with which they are associated in the ores is negligible, and at the same time the scientific technique required to convert them to useful forms is such that there is not much prospect that they will be consumed for domestic purposes in the Far East within a considerable period.

Vegetable & Essential Oils

The principal oils exports from Hongkong can be classified into (a) Vegetable Oils and (b) Essential Oils.

The most important vegetable oils are:—Wood Oil or Tung Oil; Rape-seed Oil; Teaseed Oil; Groundnut Oil or Peanut Oil; Cottonseed Oil; Sesamumseed Oil; Coconut Oil.

With the exception of Wood Oil which is used in manufacture of paints, the vegetable oils are used as as food.

The chief essential oils are:—Cassia Oil; Aniseed Oil; Citronella Oil; Camphor Oil; Peppermint Oil.

These oils are used in toilet and medicinal preparations.

The oil trade of China is closely related to the seed and bean trade, as most of the vegetable oils exported are produced from these two classes of commodities. Until a few years ago, oil crushing in China was not organized. Native mills are scattered over the country. The oil bearing seeds are crushed chiefly by the farmers who grow them, with the result that these primitive methods are not efficient, and oil is never as pure as is now demanded abroad. The farmer pays little attention to the oil; sediment and colour are of secondary importance to him, and it is this quality of oil which he sends down to the ports, where it is secured by foreign merchants and sent abroad.

The more or less modern mills, which have been erected are producing oils of better quality, chiefly because better seed is used, and better methods of crushing and preparation are employed, but even these mills do not make the oil industry independent of the farmer. Until that position has been attained the trade will not be on a satisfactory basis.

While the export of vegetable oils is one of great importance in China, the export figures do not give an accurate idea of the total production of this commodity. Only a small part of the total output finds its way into the export trade, the larger part being used by the Chinese themselves, chiefly as a food, and also as a lubricant and a lamp oil. Vegetable is the "butter and lard", as well as the "salad dressing" of the great mass of the Chinese people, whose diet is made up largely of fats, and as they are denied the more costly animal fats they have turned to the vegetable oil. It is estimated that more than five times the volume of vegetable oil exported is consumed by the Chinese themselves.

During the last few years there was great development in the oil industry, and this was due to the demand created by the war and the increase of freight rates, which made it highly advantageous to crush the seeds and beans in China and export the oil rather than to export the raw material.

More or less modern mills are now in operation at Shanghai, Chinkiang, Haichow, Nanking, Tungchow, Wuhu, Hankow, Kanyang, Tientsin, Swatow,

Canton, Hulanho, Mukden, Harbin, Liaoyang, Haicheng, Antung, Dairen, Newchwang and Tsingtao. In China Proper, the largest centres of production are Shanghai, Hankow and Han-yang, Tientsin and Canton. In Manchuria (which is the largest producer of soya bean oil) there are over a hundred plants operated by machinery and many hundred of Chinese mills. The chief crushing centres are Harbin, Mukden, Liaoyang, Dairen and Newchwang.

The export of vegetable oils is of importance to China's economy, and when it is considered that the first shipments of soya bean oil were made only a few years before the war, development of the trade is surprising. The growth in the consumption of vegetable oils in Europe and America during recent years is also one of the most interesting features in the history of modern industry.

TRADE IN CHINA PRODUCE

In their annual report of 1948, the Hongkong General Chamber of Commerce states that following the boom in 1947, the produce trade in 1948 showed an easing off in activity with a falling away in demand and a lowering of values. Disturbed conditions in China and the unsuccessful efforts made during the year to stabilise the currency encouraged Chinese merchants to favour Hongkong as a trading port. The gradual enforcement by the Nanking Government of import controls, the adjustment in exchange found necessary to encourage exports and finally, the embargo on exports from China of oil and oil seeds, all had the effect of strangling the China Produce trade in Shanghai and Northern Ports. There was, however, some trading in South China and Canton, largely, on a barter basis, although this was, in some measure, reduced considerably by the application of the agreement concluded with the Hongkong Government for the suppression of smuggling.

Oils.

Wood Oil from Hunan, which is the major producing region for this product, ceased entirely from being shipped ex Shanghai although there were some shipments through Hongkong mainly to the United States of America. Teaseed and Rapeseed Oil which are, like Wood Oil, exported under Chinese Government control, found a market mainly in the United Kingdom and other European countries. Spain, Portugal and Italy made considerable purchases of Teaseed Oil for culinary purposes. Trade in Coconut Oil from Kwangsi was sporadic throughout the year though some shipments were made to the United Kingdom and to the Continent, mainly for the manufacture of soap. Little business was done in Aniseed Oil and Cassia Oil, but what was available was sent mainly to the United States of America.

Cassia.

Shipments of Cassia have not yet reached pre-war proportions, although quite a healthy trade was enjoyed by many firms. The United States were the main buyers, with some 37,000 bales; 10,000 bales were sent to Europe, while some 30,000 were shipped to India. For a time trade with America was affected adversely by the very stringent test of the American Food Authorities regarding quality and by the failure of many shipments to come up to the required standards. During the year, the position in this respect has improved considerably and Hongkong exporters now wash and fumigate cassia before shipment to that market in order to eliminate pests and mould.

Hides.

The demand for Hides from Hongkong was brisk throughout the year, the estimated value of exports from the Colony being approximately ten million dollars, of which 70 per cent. was Buffalo Hides and the remainder Cow Hides.

Europe provided the largest consumer market, absorbing about 87 per cent. of the total exports, followed by the United States with 10 per cent. and Japan taking the remainder. During the latter part of the year the demand from Britain has fallen off somewhat, but exports to the Continent are well maintained.

Raw Silk.

The Canton Raw Silk industry has not yet recovered from the effects of the Japanese occupation during which many fields of mulberry leaf were destroyed in order to plant rice. As a result of this, production has fallen off greatly and costs are extremely high so that the product cannot yet begin to compete with silk from other supplying areas.

During 1948, however, Hongkong has enjoyed an extensive transshipment trade in Japanese Raw Silk which has been sent mainly to Europe, but even that type of business has shown a downward tendency during the last few months of the year owing to difficulties regarding finance.

Although the Canton Raw Silk industry has not been able, since the war, to produce more than is required for local needs, there have been supplies of Waste Silk available because it cannot be used in local industry. There is a good demand, albeit spasmodic, from Europe, the United States and Japan, but many merchants have noticed a considerable deterioration from pre-war standards of quality.

Canes & Rattans.

Tonkin Canes and Tsinglee Canes emanating from Waitsap on the borders of Kwangtung and Kwangsi Provinces, continued to find good demand overseas during 1948. The Canes used for horticultural purposes in the United Kingdom enjoyed the privilege of open general licence and competition

Mining and Mineral Resources of Hongkong

Report by the Hongkong Government for the year 1948

There are few places in the world comparable in area to Hongkong (391 square miles) which have such a varied geological record. Igneous, sedimentary and metamorphic rocks are all represented, but it is the igneous rocks, ranging from granites to rhyolites, which are the most widespread. A wide range of economic minerals has been formed. Not all have been located in sufficiently large deposits to be worth working but it is possible that modern prospecting methods may reveal valuable finds in the future. Unfortunately, much of the Colony is covered by a thick lateritic type of decomposed rock which effectively masks the solid geology below.

The principal minerals so far identified in the Colony are: kaolinite, argenterous galena, wolframite, molybdenite, garnet, pyrite, mica, magnetite, haematite, cassiterite, fluorspar and

quartz. However, the chief minerals mined to date, either by modern European methods or traditional Chinese surface scratchings, are kaolin, iron and wolfram.

Lead deposits are widely scattered throughout the Colony. The lead is usually associated with silver as argenterous galena. There are fair deposits to be found at Silver Mine Bay, Lead Mine Pass and Lin Ma Hang. The mines at Lin Ma Hang were easily the largest and most modern before the war began. They were forced to close down in 1940 when the Japanese sealed off deliveries to China. At one time they were producing roughly 250 tons of lead ore (concentrated) and 7,000 ounces of silver monthly. The Japanese opened the mine again during the occupation.

Iron is everywhere in evidence but the only deposit which so far has attracted a major commercial exploitation is the lenticular magnetite mass at Ma On Shan. Its production is regulated by its chief customer the Green Island Cement Company. Surface scratchings for ochre, a hydrated oxide of iron, are worked on and off. The ochre is used by small local paint companies.

Wolfram, which is loosely called tungsten, occurs in several places. It is mined officially and unofficially at Shing Mun, Castle Peak, Ho Chung and on Lantau Island. By far the largest workings are at Shing Mun where a European company has the lease. The Japanese kept up a steady production during the occupation. Today there are a hundred or so miners from these mines, which are temporarily closed, panning for placer wolfram in the bed of the Shing Mun River. Their output is presumably sold on the local market.

Kaolin, not excluding the great reserves of building stones and the sand and gravel deposits, is certainly the most valuable of the proved deposits in the Colony both in quantity and quality. It occurs everywhere in varying degrees of purity ranging from the best ball clay to the coarser varieties. Of the many deposits now being worked, the pit at Cha Kwo Ling is the most valuable and productive. Much of the clay from this pit is exported to Japan but some is used locally in the ceramic industry. Elsewhere other deposits are mined for the various brick, face powder, tooth powder and rubber companies.

There are stone quarries sited all round the coast. The ornamental grey Hongkong granite is most usually worked for building stone.

Sands and gravels are available in large quantities mainly from the raised beaches along the coasts.

During 1948 a few permits were issued, on a month to month basis, to small family concerns wishing to mine small amounts of ochres and clays.

on the part of exporters in Hongkong for business during the year was very keen indeed. The volume of trade both with the United Kingdom and with America was more or less on a par with pre-war figures, although values were somewhere in the region of three or four times higher. Compared with 1946, there was less business during 1948, but this is accounted for by the fact that the earlier year was the first trading one after five years of famine in overseas markets which were, consequently, most anxious to obtain supplies.

Malayan and Java Rattans imported into Hongkong, processed, selected and packed here for re-export, continued to be one of Hongkong's main local trades. Apart from local manufacture of baskets and furniture, considerable quantities of the raw material were exported regularly to America, Britain, Africa and Australia, and the value of raw rattan imported during 1948 was estimated at about eight million dollars. Local dealers were not completely happy about the year's trading as a constantly falling price from Malaya adversely affected their stock position. There are signs, however, that this situation will improve during 1949 and that more stable prices will obtain during the year.

Mats & Matting.

The Mats and Matting trade has not had a very encouraging year. Apart from somewhat limited exports to the United States, hardly any business has been done and lucrative markets of Britain, Europe and the Middle East have been closed either on account of import restrictions or, as in the case of Palestine, on account of the unsettled conditions in the countries concerned.

Industrial Production of Hongkong

Report by the Hongkong Government for the year 1948

The majority of Hongkong's working population is engaged in occupations connected with commerce, fishing and farming rather than with industrial production but enterprise and capital are forthcoming when an economic demand for goods arise which can be satisfied by the expansion of local industry. There are local industries in ship building, ship repairing and engineering, and a wide range of light industries the main products of which are textiles, rubber goods, buttons, leather goods, cigarettes, matches, preserved ginger, tinned goods, glass ware and paint. Nearly all these light industries are Chinese-owned and managed.

While shortages of raw materials were for the most part overcome during the year (with a few exceptions, notably ship steel), increased competition in foreign markets and the change from a seller's to a buyer's market in most products made the year a difficult one for all but the more modern and efficient industries which have been able to bring their costs of production more into line with world prices and to maintain the standard of their product. At the same time the development of new industries, some transplanted from Shanghai, has continued apace. Cotton spinning has now fully established itself while metallurgical industries have considerably expanded, with the assistance in particular of machine tools delivered under the Japanese Reparation scheme. Film production is now a major industry with seven companies in operation, although Hongkong cannot yet claim to be the Far Eastern Hollywood. New industries introduced during the year include plastics and the manufacture of textile machinery and electric irons. Industries are tending to develop on a larger scale than pre-war, and to be housed in orthodox factory type buildings rather than, as before, in tenements.

The Chinese Manufacturers Union have shown enterprise and a close sense of co-operation during the year. A delegation was sent to the British Industries Fair at which Hongkong exhibited for the first time and aroused much interest. A local Industrial Exhibition on an ambitious scale was held towards the end of the year with notable success. Over 600,000 persons visited the stalls during the fortnight, the record day's attendance being 41,000. While the spirit of the manufacturers augurs well for the future, and much has been done in the last year to modernise equipment, Hongkong industry as a whole continues to suffer from its general obsolescence. Costs of raw materials, of labour and of power have remained

stubbornly high and the long term future of industry in Hongkong must continue to be regarded as obscure.

Cotton Spinning:—Of the twelve mills so far planned for Hongkong seven came into production in 1948 with a total of 90,000 spindles. By the end of the year they were producing at a rate of 9.6 million pounds of yarn per year or rather less than 50% of potential local consumption by weavers and knitters. Whereas in the first half of the year the greater part of yarn produced was used in local textile production, the relatively plentiful local supply of Chinese and other yarns and the comparatively better prices in foreign markets led to a considerable volume of export sales later in the year. The principal markets were Pakistan, Saigon, Batavia and Bangkok; small quantities went even further west. Mills have concentrated on the lower counts but are also equipped to produce medium counts.

Weaving and Knitting:—These industries have had to meet difficult times and keen competition throughout the year. The return of Japanese textiles in quantity to Far Eastern and African markets has had a particularly depressing effect. There have been a few brighter periods to relieve the general gloom, but on the whole the industry has lost money on the year's operations. The larger mills have at times been forced to accept orders below cost in order to keep running. A few mills affiliated with spinning mills are putting in modern automatic looms, but on the whole the industry suffers from the handicap of outmoded machinery. Its other major handicap, the relatively high cost of yarn in non-producing areas, may however have been solved with the local introduction of spinning.

Building Materials:—It had been feared that the building programme would be seriously impeded by shortage of building steel, which had been obtained only in negligible quantities since the end of the war, but a Hongkong firm evolved a process for rolling building bars from old ship's plates (of which a plentiful supply was available from sunken vessels in Hongkong waters) and improvised the necessary machinery. During 1948 they were producing at a rate of 18,000 tons a year and hoped to increase this to 28,000 tons in 1949. Two other producers started on a small scale towards the end of the year.

Brick production has been considerably increased with the installation of a tunnel kiln, while cement production has been maintained at 4,000 tons per month.

Hardware:—Producers of builder's hardware (locks, hinges, nails, screws,

etc.) did well during the year. Hurricane or pressure lamp factories continued to find ready markets, although their profits were considerably reduced. Stainless steel spoons and forks enjoyed a steady demand. Hardware factories had an increasing successful year and at the end of the year were fully booked ahead to July, 1949. Prices are low enough to meet world competition and the industry appears to have taken over a large part of the demand previously met by German, Czech and Japanese producers. The industry has a big expansion programme on hand.

Paint:—Paint manufacturers had another successful year and they too have large expansion projects in view. Sales in 1948 amounted to HK\$11 million and exports were made to South-East Asia, India, Mediterranean countries and Belgium.

Ship Repair and Ship Building:—Shortage of ship steel was the industry's major preoccupation in 1948. As postwar reconversions and overhauls are completed, the industry can only continue at full operation if it is in a position to undertake new construction. Orders are available, but it has not even been possible to obtain adequate steel for all repair work on hand and the prospects for 1949 are not bright. The industry has already had to lay off 30% of its labour force.

Miscellaneous:—Good business was enjoyed by the vacuum flask industry during the first half of the year but competition from Japan began to affect export markets later in the year. The seventeen factories making torch-cases have had good year. There is as yet little sign of foreign competition in their export markets. Supplies of raw materials, particularly brass sheets, have improved and less reliance has had to be placed on salvaged material. "Everready" torches are made in Hongkong for the American parent company's Far Eastern markets, including India. Torch-bulb and torch-battery factories, on the other hand, have not done well.

The large rubber shoe factories are maintaining production and extending their export connections which have benefited considerably from contacts made at the British Industries Fair, but import quotas into the United Kingdom, the biggest pre-war market, are still only a fraction of the pre-war level. This industry, along with the match industry, is also beginning to suffer from the protectionist policy apparently being pursued by the Government of the Federation of Malaya. The import quota of preserved ginger into United Kingdom was increased from 2,000 tons in 1947/8 to 3,000 tons in 1948/9, while markets are being actively developed in other countries, notably U.S.A. and Canada.

Hongkong Industrial Reports

FACTORY AND LABOUR UNION REGISTRATIONS

The number of applications for registration received by the Labour Office during February was 39, comprising 23 printing establishments, 3 metal ware factories, 3 knitting mills, and 1 each cotton mill, engineering, thread, electro plating, gramophone records, needles, laundry, canned goods, hand torch batteries, and porcelain ware; 18 factories being in Hongkong and 21 in Kowloon. Sixteen registration certificates were issued, 4 in Hongkong and 12 in Kowloon. This brings the number of registered factories in the Colony up to 1,207, i.e., 310 in Hongkong, and 897 in Kowloon.

Trade unions registered during February were 172, of which 35 were purely employers' associations while 137 were labour unions which, however, as pointed out in our issue of March 2nd, often include both employers and employees, many of them being more in the nature of guilds than labour unions, some giving only death benefits to their members. The approximate membership of so-called trade unions registered in Hongkong at the end of February was 100,755.

WASTE COTTON

An interesting new industry that is being planned in Hongkong is the utilisation of waste cotton from local yarn mills. The scheme is at present only in the preliminary stages, but it is intended to use the finest cotton waste, which will be purified and spun again on special machines for the manufacture of bandages, gauze etc., for surgical and medical use.

HURRICANE LAMPS

An important, though small part of Hongkong's industry is the manufacture of hurricane lamps, factories being fully occupied from the last quarter of 1948 to the present, chiefly with orders from abroad. The total production per month is around 25,000 to 30,000 dozen, the cost ranging from \$25 to \$60 per dozen, according to the size of the lamp. For 1948 the quantity exported was 1,071,331 hurricane lamps to the value of \$3,341,315. The bulk of the exports went to India (\$681,941), the Philippines (\$400,653), Siam (\$334,607), West Africa (\$297,730), Turkey (\$249,734), Australia (\$127,718), East Africa (\$121,810) and (\$113,865). Of late, increased orders have been received from Africa.

SOAP

Another of Hongkong's small industries is the manufacture of soap. At one time, shortly after the war this enjoyed boom conditions, owing to the impossibility of importing soap from abroad, but during 1947, with the revival of imports there was a rapid decline in local manufactures; from 21 factories the number fell to

2, employing 17 workers. Last year, however, trade began to improve and the number of factories by the end of December 1948 had increased to 4, employing 160 workers. Exports of soap for 1948 (after deduction of imports) amounted to 608,841 lbs. to the value of \$1,112,220. Only cheap laundry soap is made and there is no attempt at competition in the better kinds. The market into China, which formerly was prosperous, has fallen away, and Siam remains the best customer taking over 50 per cent. of the exports in 1948. In the past two months, the industry has revived considerably with shipments amounting to around 16,000 cases, mainly to the Middle East and Africa. In fact it is anticipated that there are possibilities for expansion for cheap qualities of soap in the lower priced markets of the world. With the approach of summer, the seasonal demand for soap should increase.

FERTILISERS

It is likely that a new industry will develop in Hongkong for the manufacture of fertilisers. Government has under consideration the establishment of a large factory for the conversion of the city nightsoil into a safe fertiliser. At present nightsoil is dumped into the sea, but with proper treatment it should be possible to make valuable use of it. The factory will be constructed from part of the allocation of £1 million made to the Colony by the British Government under the terms of the Colonial Development and Welfare Act of 1945.

THE RUBBER INDUSTRY

The Rubber industry is of growing importance to the Colony: there were registered at the end of December 1948 55 factories engaged in the production of rubber tyres, rubber soles and rubber wares generally, employing altogether 4,427 workers. This makes the industry fifth on the list for the number factories engaged, but fourth for the number of employees. There are four factories handling rubber tyres and employing 27 men; 2 for making rubber tyres soles, with 29 employees; and 49 for rubber wares employing 1,227 men and 3,144 women. The goods made in these factories consist of shoes, toys, tyres and inner tubes, boots, soles, etc. The daily output of shoes is estimated at 30,500 pairs. Recent orders from Great Britain amount to around 600,000 pairs of shoes for delivery in April/May. The trade is a seasonal one: from October to March the demand is for tennis shoes and rubber boots for rainy weather; from February/March to October there is more or less of a slump, only comparatively small quantities being made of galoshes, Wellington boots, inner tubes for bicycle tyres, and rubber bands.

Trade in rubber goods has made great strides in Hongkong of recent years, showing an increase of 40% over pre-war figures and of 24.3% over those for 1947:—

Exports of Rubber Shoes & Soles:	
	HK\$
1939	8,035,431
1946	3,106,910
1947	9,915,147
1948	12,325,359

The chief importer of rubber footwear from Hongkong in 1948 was the United Kingdom, which took 46,516 dozen pairs to the value of HK\$3,432,228, over 72% of the total value of such exports. In regard to footwear composed of canvas upper with rubber soles, Great Britain again came first with imports of 223,567 dozen pairs to the value \$6,048,147 or over 48% of the total; Siam was next with importations of 68,316 doz. pairs amounting to \$1,527,714 and the Philippines with 38,391 doz. pairs amounting to \$1,080,385. With recent restrictions of imports into the Philippines, it was feared that there might be a falling off of exports in that direction. However, the demand for rubber footwear is still strong and last month's exports amounted to over 10,000 pairs. With regard to exports to the United Kingdom, in order to enjoy the benefit of the special reduction in duty under Imperial Preference a certificate has to be produced showing that 60 per cent. of the materials comes from Empire sources; but this is not easy in the case of Hongkong-made footwear, as the cloth lining is often a product of Chinese mills and certain of the chemicals used come from the United States. Also a proportion of the tyres from which the soles are made comes from Japan.

CHEMICAL INDUSTRY

A pioneer in the field of chemical industries in China, the Tien-Chu Ve-Tsin Chemical Industries Ltd. was founded in Shanghai in 1932 by Mr. P.N. Woo. In 1937 when a Japanese attack on Shanghai seemed imminent, Mr. Woo set up a factory in Hongkong. Despite numerous difficulties, he succeeded in equipping the new plant with up-to-date machinery and running it efficiently. The Tien-Chu's local factory in Kowloon stands on a 200,000-square feet site. It has four departments, making gourmet powder, Hydrochloric acid, alcohol and Chlorine compound.

Tien-Chu products have been previously displayed in several exhibitions in Hongkong and in the United Kingdom. Products of the Tien-Chu-Ve-Tsin will go on display in the Hongkong Stall at the forthcoming British Industries Fair.

Among chief products are "Ve-Tsin" and "Ve-Tson" food seasoning powders, starch, soya sauce, Glucose, Hydrochloric acid, bleaching powder, caustic soda, alcohol, and Potassium Chlorate. With the exception of the "Ve-Tson" which is marked with the "Tripod," all the other products bear the "Citron" trade mark.

HONGKONG STEEL & IRON INDUSTRY

There are in Hongkong six steel rolling mills working at the moment; at the end of last year only four mills with about 600 workers were turning cut bars for constructional purposes. Two new mills have started only this year. One or two more mills are expected to establish themselves in the Colony during the next few months. Among the larger hardware factories eight companies, producing mostly for export, employ currently over 800 workers.

Production estimates of local iron and steel factories:—3,500 tons per month of steel bars; 3,000 cases per month of enamelware; 25,000 doz per month of Hurricane lanterns; 1,000 cases per month of aluminium ware; 3,300 drums (133.33 lbs) per month of screws. There is a serious effort made to produce shortly 500 motor tri-cycles per month.

Exports are profitable for hardware manufacturers. Reputation abroad is well founded and continued quality output assures of regular orders. Foreign goods could undersell local products but prices here are elastic although profits are not excessive. Local steel bar output is satisfactory from point of view of builders.

In the local metal industries about 11,000 workers were employed as at the end of last year, that is 18 to 19% of total registered labour force. There were 18 foundries employing 607 hands; 26 electric bulbs and torch battery factories with 850 workers; 4 enamelware factories with 1,134 workers; 107 metalware factories with 3,979 workers; 18 electric torch factories with 2,982 workers; 2 aluminium ware factories with 193 workers, one needle factory with 327 workers; 15 tin can makers with 632 workers.

Steel Rolling Mills

There are six Steel Rolling mills in Hongkong: (1) The Hongkong Chiap Hua Manufactory Co. Ltd. is maintaining a monthly production of 2,000 to 2,400 tons of Mild Steel Reinforcing Bars for concrete reinforcement (used in building construction). Such bars are of various sizes from 1/4" diameter to 1-1/4" diameter rounds, 3/8" to 1-1/4" squares and all sizes of flats. All bars produced by this mill are tested to comply with the limits of British Standard Specifications for building construction (785).

(2) Diaward Steel Works turning out several hundred tons of steel per month: having now over 200 workers: producing mainly enamelware and aluminium ware of 600 cases each a month.

(3) Ying Fung Iron Works, Ltd., produces a minimum of 400 tons of steel bars a month.

(4) Lo-ho-kou Iron Works, Ltd., is under reorganisation, and will start producing steel probably in April with an estimated production of 600 to 700 tons a month.

(5) Hongkong Steel Works, 200 to 300 tons a month.

(6) Tung Kwong Manufactory, producing 100 tons a month.

Pig iron supplies come from Australia, at a price of \$500 to \$600 a ton, but as there were recently imports exceeding average demand, the price declined to about \$400.

Supply of scrap iron comes from Manila and from sunken ships salvaged in the harbour. There are fifteen sunken ships here ranging from 2000 to 8000 tons each. Smaller imports from Singapore and China.

The factories mentioned above are producing steel bars mainly; they are not equipped with furnaces therefore do not use either pig iron or iron scrap. Steel scrap, in the form of broken up ships, ship-plates, cuttings, channels, angles, and rails of suitable mild steel are used. Such steel scrap is obtained from the wrecks in the Colony, or imported by towing wrecks from Manila, Singapore and Pacific islands.

About 90% of steel bars is used for building construction, and about 10% or less for various other purposes, mainly ship repairs. Leading articles of steel production are angular and flat bars, sheets. Hongkong Chiap Hua Manufactory production has been divided into 50% for local construction companies and 50% for export to the Philippines, Bangkok, and other Far Eastern markets.

Hongkong requires 500 tons of steel plates a month, and 100 tons of tin plates. Steel plates mostly from U.S.A. for manufacture of enamelware; tin plates are used for can industry; 70% from U.S.A. and 30% from United Kingdom.

The Chiap Hua Manufactory Co. also imports regularly Shell-scrap from the Philippines for production of brass sheetings in Hongkong. Such brass sheetings are then sold to factories in Hongkong for production of electric torch-lights, hurricane lanterns, vacuum flasks. Aluminium discs are sometimes in the form of sheets imported from U.K. and U.S.A. for production here of aluminium cooking pots. Quality: medium-hard.

Hardware Factories

(1) Hongkong Chiap Hua Manufactory Co., Ltd. produces Aluminium cooking pots of six sizes for domestic use. Output: 2,700 sets of six pieces per month. Second in Hongkong.

(2) Ying Fung Iron Works, Ltd. general hardware.

(3) Liu-ho-kou Iron Works, general hardware and metal goods.

(4) Chung Mei Manufactory, produces hurricane lamps.

(5) Diaward Steel Works: enamelware production 600 cases of 600 lbs each: aluminium ware 600 cases of 36 sets each of 6 (pots, food carriers etc.)

(6) South China Iron Works, general hardware; motor cycle production not yet started; estimated production 500 motor tricycles a month.

(7) Po Yuen Iron Works, producing steel nails, 200 drums (piculs) a month.

(8) Hongkong Nail Factory Ltd., produces 3,500 drums a month of steel nails.

(9) Golden Dragon Metal Factory: producing 1,800 drums of steel nails a month; also 50,000 gross (of 144 each) of wooden screws.

(10) Union Metal Works, producing about 6,000 Pressure Lanterns a month.

(11) I-Feng Co., producing monthly 1,500 cases of 500 sets each of enamelware. Biggest enamelware producer in Hongkong.

(12) New China Enamelware factory: water cups, 750 cases at 500 lbs. each of plates, dishes.

(13) China Steel Works Ltd., a branch of Shanghai, making steel windows, doors and structural steels; produces 30,000 square feet of steel windows and doors a month; over 50 workers; largest local manufacturers of steel windows and doors; all used for local consumption; cost \$6 to \$10 per square foot. The factory started here in October 1948.

Hurricane Lanterns

There are two main factories producing hurricane lanterns: Chung Mei Manufactory, nearly 10,000 dozen a month at full production, associated with the Chiap Hua Manufactory. The World-Light Factory, monthly production over 15,000 dozen, at present producing at full capacity. The number of workers at Chung Mei is 34, and at World-Light 133.

Almost all production for export, quantity for local consumption negligible. Exports to: Africa, Philippines, Singapore, Siam, Holland, Indonesia, Burma, India. Boom for export business since October 1948: seasonal peak production July to December. Competition of U.S. goods, but Hongkong sells strongly as result of its nearness to buying areas.

Factories' policy is to maintain small-size workshops producing at full capacity, in order to economise through skilled labour working at maximum efficiency. Extension would involve risks.

SUEZ CANAL TRAFFIC

The Suez Canal Company figures of revenue derived from traffic through the Canal show effectively the growth of trade between Europe and the Far East. In December 1948 the increase began to manifest itself, the takings of the company in that month reaching Egyptian pounds 1,713,000. This continued throughout January with revenue amounting to E. £1.8 million, and February with E. £1.7 million. The figures are given below, with those for January and February of last year for comparison:—

	1949	1948
	E. £	E. £
January	1,862,000	1,254,300
February	1,722,400	1,158,700

Hongkong Commodity Markets

Trade with Germany

Chinese merchants show increasing interest in trade opportunities which Germany offers; the good name of German firms which did business in China before the war remains an important asset. German merchants are also very anxious to resume business relations and a large volume of correspondence between Hongkong, China ports and Germany has developed. Only on account of exchange restrictions and trade controls operative in Germany (western or tri-zone) business moves within moderate bounds. Dyestuffs, industrial and fine chemicals, medicines, optical instruments, photocameras etc. remain articles of strong demand in China. On the other hand German importers are placing orders for tung and other vegetable oils, bristles, feathers and Chinese minerals. As yet German firms cannot re-establish their branches here but European and Chinese agents are negotiating business on their behalf.

Hongkong Exchange Control is, by virtue of the payment basis adopted in the trade with Germany (i.e. on US dollars), in a position to regulate imports from Germany thus also determining the amount of exports from here to Germany. Importers here are dissatisfied with the exchange allocations obtainable from the Control, demanding far higher amounts; on the other hand, the local Control cannot agree to larger sterling transfers to Germany as the sterling area over-all control is wielded in London and only if the payment position of the British Treasury eases may higher allocations here be granted.

Trade with North China

Trade between Hongkong and North China develops well, more ships are calling on N. China ports, especially Tientsin, and cargo movement in both directions is stepped up. Freight to Tientsin which a short while ago was around \$175 has now dropped to \$110 per measurement ton. North China and Manchuria produce is available in heavy volume, particularly soya beans, bean oil, bristles, groundnuts and oil, bean cakes, coal, and smaller lots of carpet wool, skins and hides. The Chinese authorities are promoting exports but export duties, payable in People's Bank money, are usually levied at the rate of 5% ad val. A long list of commodities is however dutyfree for export. Banking facilities are improving with remittances from North China to Shanghai becoming a matter of routine. Postal services have been largely resumed.

Piece Goods

The market in piece goods continued dull notwithstanding orders from the Philippines placed with local mills. Japanese piece goods to the value of

\$5 million were reaching countries in the sterling area, which made competition difficult. No demands were received from Siam, Africa, Singapore, Indonesia or Korea.

A small quantity of Yu Tai black cloth was sold at \$40.30 per piece without packing; double golden tael brand sold at \$44.50 as against the former price of \$45.20 per piece. Black drill mermaid brand sold at \$45, and \$41.50 for running dog brand. Tsin Leung Yuk white cloth fetched \$43.50 per piece and Kam Mok Lan \$41.50. Lower quality grey sheetings fell to \$40 per piece, and mammoth bird brand was sold for \$43.80.

Raw Cotton

Egyptian cotton was on the market but not very favourably received by local mills, although the quality was said to be better than that from India and suitable for 40's, and higher counts which are not much handled by local mills. Orders were subject to cable confirmation, no fixed price being given, which was a factor against it. Local buyers, lacking Indian cotton, preferred the American product. Indian raw cotton being in short supply fetched higher prices, 4F selling at \$1.80 per lb. LSS at \$1.90 and NT at \$2 odd.

Yarns

The yarn market was dull, with falling prices. Yarn mills were busy filling orders from Africa and Indonesia at low prices, and high-priced yarns were consequently not in demand. The knowledge that large stocks had been sent to Hongkong by the Chinese mills in Shanghai also helped to keep prices down. Blue Phoenix 42's continued to sell at \$2250 and 40's at \$2150, 20's sold at \$1360. In Canton the price of 42's was \$2060, which even with the addition of charges amounting to around \$290, undersold the local variety.

Metals

The market in mild steel bars (square, round, flat, angle) was very dull throughout the week, being still affected by the large shipments from the U.K. and France and the knowledge that further arrivals were expected. Round bars, 40 ft., 5/16" sold at \$42. 1/2" at \$41, 3/4" to 7/8" were offered at \$36, and 1" at \$37 per picul. Square bars fell by about \$2 per picul. Mild steel bars (bundles) were active, 3/16" selling at \$44 per picul; 1/4" best quality sold at \$46. Galvanized mild steel sheets, thin quality, met with a momentary demand, 7ft. with export permit rose to \$13, 3x6 ft. was sold at \$11; without permit, 3x7 ft. sold at \$11.30 per picul and 3x6 ft. at \$9, British 3x6 ft. selling at \$8.80. Belgian mild steel plates, owing to reduced stocks, rose slightly: 1/32" stood at \$75, 1/16" rose to \$65, 3/32" rose to \$57, 1/8" was offered at \$50 and 1/4" sold at the higher price of \$53. The arrival of large shipments kept zinc sheets

low. Belgium G6 fell to \$130 per picul. G4 was offered at \$142, G7 and G8 at \$134. The first consignment of American T corrugated steel bars since the war was received and met with demands from local factories for construction purposes; 1/4" x 1" sold at \$55 per picul, which was considered higher than for other kinds of bars. British steel hoops were sold to Shanghai buyers in large quantities, the price rising to 75 cents per lb. Belgian galvanized wire found a better market than European and American makes: G5 to G12 sold at \$56 per picul, G11 at \$53, G20 at \$75, while G22 rose slightly to \$84. New arrivals of Belgian wire netting brought lower prices, 1 1/2" sold at \$64, 3/4" at \$48.

Paper

The paper market, due to heavy stocks and further large arrivals had a heavy fall during the week. Buyers appeared satisfied and shipments continued to arrive. Korea, one of the most important markets, was fully supplied, while Canton and Northern China, Siam and Singapore became correspondingly dull. The report that restrictions on the export of Swedish paper have been lifted also tended to bring prices down, especially as offers of Swedish paper were already being circulated.

Holland strawboards declined by at least \$20 per ton; newsprint in rolls 31" dropped to 35 cents per lb., while 43" fell to 34 cents; newsprint in ream declined by as much as 50 cents per ream. Bond papers also fell by 20 to 30 cents per ream. Woodfree remained stationary. American cigarette paper, owing to new arrivals, also dropped heavily: 29mm 6000M Ecusta brand without green line fell to \$20.50 per bobbin as compared with the previous price of \$28. Smoking Tiger brand (Egyptian) sold at \$20.80. It was anticipated that a further decline would take place.

Chemicals

The chemical market generally was weak, although certain articles kept steady. As an example, acetic acid 44 lbs. was sold at \$1.15 per lb., but on the whole little business was done. Mimosa extract, with keen demands from Korea and with Tientsin buyers competing, sold at \$82 per bag. American and I.C.I. brands also rose in price. Citric acid crystals, 1 cwt., sold at \$1.20 per lb. The sulphate of ammonia market tended to rise with seasonal demands. Farmers were keen buyers and I.C.I. products were totally absorbed. North Korean sulphate of ammonia (white) also rose with falling stocks, selling at \$440 per ton spot delivery and \$425 forward. Sellers in some instances were unwilling to offer for forward delivery. North Korean sulphate of ammonia (grey) fell in price. Caustic soda sold at \$187, forward delivery at \$180. Japanese zinc oxide fetched 69 cents per lb. Paraffin wax, with heavy stocks on hand, fell in price, 148% to 160%

dropped to \$83, 125% and 140% to \$75 per lb. Artificial wax in lump improved with a good market for re-export to China; 220 lbs. in lump fetched \$54 per picul

Glass

The market kept steady throughout the week, but low prices ruled. An arrival of over 2,000 cases of Japanese window glass, chiefly 16 oz. 100 sq. ft. packing, was mainly taken up by Korean buyers; demands were also met from Swatow. Belgian 200 sq. ft. 24 oz. was offered at \$60, middle specifications at \$64, and 100 sq. ft. at \$32. Japanese glass 100 sq. ft. 16 oz. fetched \$32 per case.

Flour

Large stocks of flour on hand, amounting to around 100,000 bags and the expectation of new arrivals of over 60,000 bags kept prices low, with the anticipation of a further fall. The Canton market was also reported to be overloaded.

Tea

Shipments of tea for re-export arrived from Formosa. Indochina buyers took 2,000 cases and demands came from South China as well as other places. Prices accordingly showed an increase. Broken Orange Pekoe black tea rose from \$120 to \$155 per picul, Orange Pekoe from \$100 to \$125, green tea sold at \$140 per picul.

Vegetable Oils, China Produce

Vegetable oils, in common with other commodities, met with a falling market. Tungoil (Woodoil) fell from \$118 to \$117 per picul with export permit, and from \$116 to \$115 without export permit; teaseed oil 4 FFA fell from \$118 to \$117 per picul, mainly going to the United Kingdom; rapeseed oil dropped from \$115 with permit to \$113, and without permit from \$112 to \$110 per picul. Groundnut oil fell as a result of large arrivals, Sui Tung selling at \$157 per picul and Chingtao at \$160. Aniseed oil met with a good market, being sold at the increased price of \$450 per picul. Cassia Ligna whole, Shek On, fetched \$155 per picul, Wui On sold at \$145, Tung Hing at \$63 for forward delivery within one month. Rosin, East River, fell to \$28.50 but sellers would not go lower. Ramie sold at \$162.50 per picul, but fell later to \$160. Gallnuts fetched \$72.

Prices of China produce in the United States were also reduced, tungoil fetching US\$0.20, aniseed oil standing at US\$0.85, cassia oil at US\$2.10 to US\$2.50.

Bristles

It was reported that direct shipment of bristles had been made from Tientsin to the United States. Tientsin No. 55 was offered on the Hongkong market at \$40 per lb., but a counteroffer had been made of \$39. U.S. buyers were holding back in anticipation of a further reduction, hence prices are bound to fall, especially as large stocks are being held of Tientsin, Chungking, Yunnan and Korean bristles. To offset this,

Trade with North China

The feeling is growing stronger in Hongkong business circles that trade with communist China is not only possible, but is likely to become larger within a fairly short time. Reports are getting through of the way in which trade is conducted and there seems little to prevent foreign traders taking their share provided they respect the rules of the game. Although a People's Bank exists in Tientsin and North China generally, for financing local transactions, this does not in any way handle trading outside the communist area, as this is conducted on a purely barter basis by the communist government and is likely to continue along these lines, the system being at present fairly efficient. Shipments arriving are checked by the government, eighty per cent. being usually taken into government warehouses, while twenty per cent. may be taken by private trading concerns upon payment of import tax to the government, which is deducted from the goods when handed over to the merchant. Goods smuggled in through the black market are consequently lower in price than those procured from the government; a somewhat anomalous position, which exists probably in no other part of the world. Also, for the same reason, selling to the government yields good profit, whereas the private trader purchasing from the government has to be content with less. Medicines, yarns and paper, are in demand for the North China market. The communist authorities base their trade upon the world prices ruling for each commodity, and each transaction stands on its own, no records being kept. Possibly the West, with its host of records might study the ways of the communists in China to advantage.

however, it is difficult to obtain shipment of the large stocks held in the interior of China; shipment by air would be possible, but would make the price prohibitive.

Gunny Bags

Increased shipments arrived during the week from the Philippines and India for re-export to North China and Korea. The Hongkong market is obliged to depend upon supplies from the Philippines, China, and Singapore, no quota in gunny bags having been allocated to it by Pakistan. The price in Manila being US\$58 c.i.f. Manila per 100 bags, or HK\$2.90 each, this would allow of a profit on the local market where they are selling for \$3.05 each. This lower price (formerly \$3.10 each) was due to the fact that South African buyers were well supplied, as were Korea and North China. The China market was also depressed, stocks lying there pending shipment to Hongkong for re-export to other markets such as South Africa, to which country they would be despatched by devious routes in view of the embargo by India on dealings with South Africa.

Reports From North China

The Central Plains Provisional People's Government, with 50 million people in this Liberated Area between the Yangtze and the Lunghai Railway, came into being on March 7. The Government Council of 21 is headed by Chairman Teng Tze-hui. Members include Liu Po-cheng, Central Committee member of the Chinese Communist Party and commander of the Central Plains People's Liberation Army, Li Hsien-nien, Central Committee member of CCP and Deputy Commander of the Central Plains Army, Li Hsueh-feng of the Central Plains Bureau of CP, Pan Tze-nien, Vice President of the Central Plains University, Chi Wen-fu, Professor of Central Plains University, Chao Ming and Tsai Shu-ping of the All China Federation of Labour.

970 kilometres of the railways radiating from Peiping and Tientsin are open to traffic. They included stretches on the Peiping-Suiyuan Railway, the sections linking up Peiping with Shanhaikuan, Peiping with Kupeikow, Peiping with Shihchiachuang and Tientsin with Tehchow north of Tsinan.

Rehabilitation of the Fushun coal field, one of the largest in the Far East, is progressing. Located East of Mukden, the coalfield has one of the world's thickest seams of bituminous coal—over 400 feet wide. The coal output of the Fushun collieries has more than doubled 3 months after liberation. Over 100,000 tons of coal are being dug monthly, while previous output was only 47,000 tons. Major damages wrought by the KMT army on the workshops and pithead installations were repaired. Over 100 miles of disrupted light railway were relaid. An excavation of 5 million cubic feet of earth and rubble was effected from the open pit mines in January. 16 machines, each capable of digging some 1,700 tons of coal a day, now work in the open pit mines, while only 4 operated previously. This rapid restoration is due to the new labour attitude of the miners. Each man does much more work than he used to do under the KMT; and labour productivity is still rising.

North China's production plan this year includes an increase of more than one million tons of staple food. Raw materials for industries will be widely planted. The cotton growing area will be increased by 60 per cent so that 90,000 more tons of cotton will be produced this year. Peanut and other oil bearing seeds will also be extensively cultivated. It is planned to harvest 620,000 tons of peanuts and other oil bearing seeds this year.

This year more wells are being dug and more irrigation ditches repaired to combat drought. In one village, for example, over 300 acres of alkaline land were transformed into good wheat fields after completion of a new irrigation system.

Government loans this year also lay emphasis on the building and improving of irrigation systems. Approximately half of the agricultural loans of the North China People's Government totalling 560 million dollars People's Bank currency will be earmarked for this purpose. One fourth of this sum is fixed to buy seed, farm implements, fertilizers and draft animals. The increase of this year's production will be mainly attained through intensive cultivation, irrigation and better organization of labour power. With the profits from side-occupations during the slack winter season, peasants have bought many draft animals and farm implements.

CONTINUED FREE SUPPLIES TO CHINA

The disposal of old stocks of UNRRA origin is far from being at its end and other free supplies of American war equipment are still hauled into China or sold by the Chinese authorities on the spot to foreign concerns. On Pacific islands, notably Guam, large piles of equipment of all kinds, mostly of little use to the Chinese authorities or its armed forces, wait for clearance. In addition to such stocks there are ships, trucks and miscellaneous machinery for sale by the U.S. armed forces or their agents. The Nanking authorities have been buying considerable quantities of ships and vehicles for no more than the break up value; in many cases no payment has been made or materials were purchased by the Chinese authorities at a nominal sum and then were resold, usually to private American firms at a considerable profit. These nominal sales by U.S. Government agencies were often assailed by private merchants in America who contended that special favours were bestowed on the Chinese; and the suggestion of corruption on the part of the official sellers was frequently heard.

At present, BOTRA (Board of Trustees for Rehabilitation Affairs, succeeding as from April 1948 UNRRA which then was wound up) are bringing into Hongkong a growing number of American ships, usually from Guam, of the Liberty type. These ships are not in seaworthy condition and require overhauls but as the Chinese authorities do not wish to spend any money on these ships—which sooner or later would be taken over by the new authorities now controlling North China—the policy is to sell them to the highest bidder for breaking up. The proceeds of such American ship sales to scrap iron merchants go into the pockets of certain interests in China and probably only a small amount may be surrendered to the Nanking treasury. As the rump government of Nanking has little confidence in their continued control of Shanghai they have decided to direct BOTRA to leave ships and equipment obtained from American stocks in the Pacific either in Hongkong or Taiwan. Many larger and smaller ocean ships which were towed by BOTRA vessels from Pacific islands into Hongkong are now lying in Tolo Harbour (near Taipo, in the New Territories) waiting for

buyers. The local steel rolling mills and the building trade as well as scrap iron exporters should derive some good business from buying American ships from the Chinese authorities who are anxious to turn almost anything into cash.

BOTRA's activities have been previously interfered with by the Chinese army who without asking took away from BOTRA's warehouses in Shanghai what appeared of use to them. BOTRA has complained to the Executive Yuan and stated the goods which fell into military hands were stipulated by the original donors, UNRRA, to be reserved for civilian requirements only. The Executive Yuan is, however, powerless to act and enforce the return of the pilfered supplies to the wronged BOTRA.

SHANGHAI EXPORTS

Exports from Shanghai during the month of February amounted to US\$ 8,701,525 including commodities under Government control or aid totalling US\$4,347,300. February exports showed a slight increase over exports during the corresponding month last year. There were more exports of frozen eggs and cotton yarn in January while exports of cotton piece goods were reduced by nearly 50 per cent. There were no exports of mineral products or sugar during the month.

Weekly exports figures in January and February were as follows:

January 1-8: US\$2,417,507; 9-15: 2,425,233; 16-22: 2,893,702; 23-29: 4,332,349.

February 1-5: 1,334,195; 6-12: 1,974,662; 13-19: 2,727,818; 20-26: 2,664,848.

Exports from Shanghai during the last week of February (20-26) amounted to US\$2,664,848 including commodities under Government control totalling US\$1,014,799.

The exports were as follows:	
Bristles	US\$ 30,628
Woodoil	303,071
Furs & Skins	70,501
Other Vegetable Oils ..	440,457
Tea	98,938
Straw Hats	42,977
Hog Casings	41,770
Feathers	68,574
Metals & Metallic Products	25,343
Woolen & Silk Yarns ..	9,528
Fresh & Preserved Eggs	123,534
Cotton Manufactures ...	83,720
Wool & Woolen Products	18,655
Silk Manufactures	98,148
Vegetable & Vegetable Products	40,863
Sundries	153,335
General Exports Total .	US\$1,650,048
Cotton Piece Goods	US\$ 312,573
Cotton Yarn	702,226
Government Controlled Exports Total	US\$1,014,799
Grand Total	US\$2,664,848

TAIWAN SUGAR POSITION

Having succeeded in stepping up its annual output to about 500,000 tons, the Taiwan Sugar Corporation, biggest government asset on the island, faces the problem of finding markets. Communist control of North China closed the door to sugar exports, cutting off one of Taiwan's best sugar customers. China's annual sugar consumption, estimated at about 800,000 tons, was partly met by sugar from Szechuen, Fukien and Kwangtung. The home provinces supplied about half of the sugar required by the nation.

Among markets abroad, Japan remains Taiwan's chief sugar importer. About one fifth of this year's output will shortly leave for Japan at the price of US\$110 per ton. Some small quantity will be sent to Korea. Taiwan sugar finds no buyers in the South Seas area where Hongkong, Singapore and Siam have turned to other sources.

Even though the Taiwan Sugar Corporation finds itself with a surplus with the present 500,000 tons output, this figure constitutes but one-third of the peak 1,400,000 tons reached in 1938 and 1939 when Taiwan's industries were run by the Japanese. When the Chinese took over the island after the Japanese surrender half of the 42 sugar factories were in ruins, and over 80,000 hectares of sugar plantations laid waste. Despite shortages of materials, they started rehabilitating the industry. The Taiwan Sugar Corporation, operated by the National Resources Commission of the Chinese government, was able to restore operation of all but one of the 42 factories. The Taiwan Sugar Corporation constantly suffers from financial limitations, for sugar planting, is a costly investment. It takes no less than 1½ years between sowing and harvesting and thus considerable sums of money are needed for the purchase of chemical fertilizers, extension of farming loans and for the purchase of sugar from the farmers.

BANKA AND BILLITON IN 1948

Economic recovery has been rapid in Banka and Billiton. Production in the tin mines which had dropped to a fraction of the pre-war level during the Japanese occupation is now so great that more is being produced than in 1938. In 1948 Banka alone produced more than 17,000 tons of tin ore. During the year 18,000 tons of tin valued at 74 million guilders were exported. Billiton, during the same period, produced about ten thousand tons of tin. About 14,000 people are at work in the tin mines at Banka, and about 29,000 in Billiton. These labourers who are mainly Chinese are well cared for. Mining is done by dredges and sluices. In 1948 thirty-two mines were functioning in Banka.

Timber production also increased in 1948. The production of building and furniture timbers increased from 12,000 to 15,000 cubic metres in Banka, and from 8,000 to 13,000 cubic metres in Billiton, in one year, with a similar increase on both islands of firewood, charcoal, and other forest produce (rattan, resins etc.).

The production of pepper has declined, but efforts are being made by the Agricultural Service to enlarge the plantations. Compared with last year the number of vines have already been doubled.

Native rubber production has reached a satisfactory level, thanks to credits extended by Government banks and technical assistance. At the end of December 161 buildings for the preparation of rubber were operating, whereas 56 more were in the course of construction. Not counting smuggling, 3,850 tons of rubber valued at about 3½ million guilders were exported between January and November 1948.

The cost of foodstuffs has declined almost 100% during the year.

There is little industry in Banka and Billiton. Until September 1948 only woven sarongs were produced. Since then however a beginning has been made with the production of drill, tussore and ticking. The production of soap increased from 300 kilograms in January to 12,00 kilograms in December.

Total exports from the harbours of Pangkal Pinang, Belinjo and Muntok was 44,000 tons in 1948 (21,000 in 1947), whereas imports amounted to 102,000 tons (1947 70,000 tons).

Production and Consumption of Tin

World production of tin concentrates continued to run during October 1938, at 13,300 long tons. Tin-ore production in the three main producing countries was as follows (in tons):—

	First ten	1935-1939	1947 months
		per average month	1948
Malacca	4.620	2.252	3.640
Bolivia	2.150	2.772	2.980
Indonesia	2.420	1.326	2.473

World output of tin metal fell in October to 13,800 tons after reaching 15,800 tons in September. Nevertheless Malacca broke the post-war record with an output of 5,526 tons by the smelteries.

At the end of September 1948 world stocks amounted to 143,700 tons against 149,400 tons a month before. The gradual increase of stocks since April has come to an end.

World consumption in October was estimated at 11,300 tons, which shows little change from the September figure.

World production of tinplate at 383,000 tons was somewhat lower last October 1948 than in the preceding months.

Trade Reports from Indonesia

Due to civil strife in the rice-producing regions of Java, deliveries to the Government's Rice Board fell below expectation during the year 1948. Coupled with a delay in imports of rice from abroad and unsatisfactory weather conditions, this situation led to an increase in hoarding and illegal sales of rice towards the end of last year.

The price of rice, Indonesia's most important food staple, rose during October and November to 1.30 guilders per liter (US\$0.23 a pound) for the milled product on the open market from a previous low of 0.95 guilder per liter recorded in early October. Continued speculative pressure compelled the Rice Board to resume rationing in Batavia in December.

The shortage of this commodity also affected adversely the cost of other important food crops in the Indies during November. Corn, soybeans, and tapioca meal registered increases during the month, while, on the other hand, prices of leading export commodities, such as rubber and copra, declined.

New price controls were instituted on November 24, rolling back the margin of profit generally to 1939 levels. Penalty for violation was increased to a maximum of 6 years' imprisonment and/or 100,000 guilders fine, in addition to confiscation of the goods or profits.

FOREIGN TRADE

For the seventh consecutive month, October exports exceeded the value of imports. The positive balance of trade for October amounted to 5,718,601 guilders (US\$2,173,068), which reduced the cumulative negative balance for the year from January to October to 10,387,062 guilders (US\$3,947,084).

October exports decreased over 20 percent in volume, falling from September's high of 567,558 metric tons to 437,946 metric tons, valued at 119,986,000 guilders. Petroleum products led in quantity with 340,347 tons shipped abroad, followed by rubber with 23,976 tons, copra 14,984 tons, palm oil 8,440 tons, tin ore 3,655 tons, tea 939 tons, nutmegs 342 tons, and mace 25 tons. Principal takers of Indonesian commodities during October were the Netherlands (36,000,000 guilders), the United States (18,000,000 guilders), Singapore (18,000,000 guilders), Great Britain (1,500,000 guilders), and Belgium, Malaya, and Hongkong slightly over 1,000,000 guilders each.

Imports during October likewise dropped nearly 15 percent in volume, and nearly 13 percent in value (160,407 metric tons costing 89,600,000 guilders). Principal imports consisted of textiles valued at 25,000,000 guilders, machinery and equipment 9,000,000 guilders, iron and steel products 3,000,000, rice 3,000,000 and wheat flour 1,000,000. Chief sources of supply were Japan which sent 23,000,000 guilders' worth of goods, followed by the United States (18,000,000 guilders), the Netherlands (13,000,000),

Great Britain (10,000,000), India and Pakistan (3,000,000), and Singapore (2,000,000).

PRODUCTION OF PRINCIPAL COMMODITIES

Crude petroleum output in October totaled 2,949,377 barrels, a postwar record which brings total production for the first 10 months of 1948 up to 26,421,757 barrels. Refinery production also increased, with aviation gasoline processed for the first time since the war. A total of 2,290,242 barrels were refined, exclusive of wax and asphalt, as compared with 2,902,318 barrels in September.

Estate rubber yields continued to increase during October when 11,488 metric tons were tapped. Exports, however, declined to 23,976 tons from September's exceptionally high shipment of 42,689 tons. Sterling prices dropped heavily during the month to a level reported to approximate production costs.

Copra production during November declined slightly from 33,848 tons in October to 32,770 in November. December production was 38,700 tons, resulting in 1948 total production of slightly over 323,000 tons (1947—179,000 tons). Exports increased from 14,550 tons in October to 25,860 tons in November, and declined to 18,000 tons during December, for a year's total of 242,000 tons (1947—153,000 tons). Stocks at the end of November amounted to 39,680 tons.

Tin output in terms of metal content attained another postwar record with 3,139 metric tons during November, as compared with October's previous record of 2,768 tons. Exports, however, dipped slightly to 2,741 tons from October's shipments of 2,808 tons.

Bauxite mined during November totaled 41,742 metric tons, a drop from October's output of 47,076. Exports, however, rose nearly 40 percent to 42,940 tons from October's level of 26,356.

Coal output during October amounted to 33,193 metric tons at the important Bukit Asem mine in Southern Sumatra near Palembang, declining somewhat from September's total of 37,000 tons. In Eastern Borneo, however, 7,318 tons were mined as compared with September's production of 6,307 tons.

In Eastern Java, 19 sugar mills processed 40,000 metric tons during the 1948 season. Approximately 37,500 acres will be planted to sugar in the 1948-1949 season which are expected to yield 200,000 tons of white sugar.

ILLEGAL TRADING

The Minister of Justice of East Indonesia reports the discovery of a large network engaged in the illegal export of coffee, copra, mace, and nutmegs from the state of East Indonesia to Singapore. Goods valued at about 80 million guilders (30 million US\$) were smuggled out through this medium during the first ten months of 1948.

Although the Dutch authorities are enforcing commercial controls with efficiency the movement of goods between many ports in Indonesia and neighbouring territories, principally Malaya, cannot well be stopped. There is also regular unrecorded trade going on between Hong-kong and Indonesia with few interceptions reported by the Dutch authorities. Adding the volume of unrecorded trade of Indonesia to the amounts legally shipped out and into the archipelago, the recovery of the economy of the Indonesian people is more impressive than it would appear when reading official figures only.

While native trades have an important share in the smuggling of Indonesian produce out of the country, it is principally Chinese, the masters of the smuggling trade, who control unrecorded imports with a significant share also in the export smuggling. Bullion, diamonds and foreign currencies are used as mediums in the unrecorded carrying of goods in and out of Indonesia. Hong-kong provides, next to Singapore, one of the main financial and commercial markets for commercial and financial operations of Indonesia.

Tin Ore Exports

Banka and Billiton tin mine production last year exceeded the 1938 output. (Exports from Banka in 1948 totalled 18,562 tons, valued at 74,300,000 guilders (as against 10,000 tons valued at 40,000,000 guilders in 1947; Exports from Billiton in 1948 were 10,944 tons valued at 40,000,000 guilders (5,600 tons valued at 23,000,000 guilders in 1947).

The total exports of tin ore from Indonesia from 1938 to 1948, including the production of the Singkep mines, were, in tons and millions of guilders:—

1938,	27,000	34
1940,	53,000	87
1946,	11,000	29
1947,	22,000	61
1948,	45,543	154

Japan's Trade Agreements

(From our own Correspondent)

Some fear had been expressed in business circles that exports during 1948 would not reach the 200 million dollar mark—the figure that had been set as a goal,—but it is now expected that when the final results are published, not only will this figure be passed but that exports would top the 250 million dollar mark. This unexpectedly favourable turn in Japan's export trade became increasingly evident from August of last year, due to the fact that not only have private companies been allowed to trade in textile goods, but that trading conditions generally became less restricted due to the necessity of filling orders from abroad under the various trade agreements already in operation.

Not only have exports during 1948 exceeded the anticipated amount, but it is hoped that the current year will show a further expansion. The Economic Stabilisation Board plans for 1949 to top the 605 million dollar mark which, if reached will exceed that of the previous year by roughly 350 million. Imports for the current year are slated at 1,050 million dollars, and as the government is eager to conclude further agreements as rapidly as possible there is little fear that the figure mentioned will not be reached. At the moment the value of trade agreements already signed amounts to roughly 360 million dollars in value for imports and exports.

Sterling Areas.

Agreements with Britain and the Commonwealth total £45 million in value. Under these agreements, Japan will export principally cotton textiles, machinery and tools, raw silk, rolling stock, caustic soda, etc. Imports into Japan will be wool, iron ore, salt, cotton, grain, petroleum, gum, tin, hemp, cotton waste, wool, coal, leather, manganese ore resin, etc. This agreement terminates at the end of June of this year.

Siam

As already mentioned in a former letter, a treaty was concluded with Siam in December, 1948, covering a total of US\$30 million each way. About 60% of the articles to be exported from Japan covers machinery and metals, while the remainder includes textile goods, gum, pottery and glass. In return Japan will import about 60% of the contract in rice and the remainder will be devoted to salt, coconut oil, copra, teak and tin.

The Netherlands and Indonesia.

In the trade agreement concluded with the Netherlands and Indonesia last October for one year, Japan has undertaken to export goods amounting in value to US\$63,600,000 and to import goods to the value of US\$24,250,000. As these countries are important markets for Japanese cotton goods, especially Indonesia, it is not surprising that 87 per cent of the total value of the contract covers these items, the remainder being machinery and metals. As far as imports into Japan are concerned oil, raw gum, bauxite, scrap tin and sugar are the most important. About 96 per cent of the trade will be with Indonesia.

Japan's Trade during 1948.

The Japanese Board of Trade has recently published figures showing Japan's trade position during the past year. While these figures show a heavy excess of imports over exports, the position is not considered discouraging, especially as under the trade agreements now in operation,

exports should more nearly balance imports. For instance in December of last year when the agreements were already in full swing, exports reached the highest level since the war. The actual figures for exports are US\$258,621,288 with imports standing at US\$682,612,645 thus showing an excess of imports over exports of US\$423,991,357. Compared with 1947, exports rose by US\$75,053,287.

SIMPLIFIED REGULATIONS FOR FOREIGN BUSINESS IN JAPAN

According to the SCAP announcement effective January 14, 1949, the scope of business activities permitted foreigners is broadened to the extent that foreign postwar commercial entrants, who wish to establish a business in Japan, are given the same opportunities, except for certain property transactions, as Japanese firms and foreign firms that remained in Japan during the war.

Under the new regulations only those foreign concerns which receive foreign exchange in Japan or disseminate information and cultural material must obtain a license from SCAP setting forth the conditions under which they will be permitted to operate. Other non-Japanese or foreign control concerns, which have been or may be permitted entry, will no longer be required to obtain a license from SCAP; for such firms SCAP permission to engage in a specific business is all that is necessary. Such firms will be subject to the general regulations of SCAP and the Japanese Government relating to economic activities in Japan. Entrants who are entitled to restitution of prewar interests are not required to obtain this permission to resume their prewar activities. If they wish to undertake new lines of business, however, they, like postwar entrants starting business in Japan for the first time, must obtain SCAP permission. The criterion for permission remains unchanged from that used in licensing of business activities heretofore—whether the activity will improve Japan's foreign exchange position or otherwise contribute to its economic rehabilitation.

As an essential part of the broadened program postwar entrants may now acquire or lease residential property for their own bona fide individual full or part-time use without SCAP approval. Acquisition of chattels or commodities and short-term business leases also require no special validation and are permitted subject to Japanese law and applicable SCAP regulations.

The following types of transactions by any non-Japanese or by a foreign controlled firm will require approval by the Japanese Government and validation by SCAP: (1) purchase or long-term lease of Japanese real estate for business purposes; (2) purchase of stocks and shares; (3) purchase of rights to a portion of the profits, sales, or output of a Japanese firm; and (4) purchase of patents of Japanese origin

and rights thereunder, and options or other agreements to acquire such interests.

For the present, loans repayable in foreign exchange and conversion of yen returns on business or investment activity will not be permitted.

SCAP cautions prospective foreign businessmen and investors that permission to do business in Japan does not constitute the right to any special allocation of materials. Foreign businessmen must obey Japanese laws, particularly economic control legislation.

These new regulations do not apply to occupation personnel, who are still prohibited from engaging in business in Japan. Regulations for entry into Japan are as heretofore.

JAPAN'S TEXTILE PRODUCTION

Production of textiles and numbers of spindles, looms and operatives for the months of November and December 1948.

In 1,000 lbs for cotton and other yarn, and 1,000 square yards for cotton and other cloth.

	Nov.	Dec.
Pure Cotton Yarn		
Cotton Spinners	23,799	22,238
Cotton Waste Yarn		
Cotton Spinners	76	69
Cotton Cloth Production		
Independent		
weavers	46,381	38,630
Spinner weavers	42,460	43,713
Other weavers ..	17	19
Number of Spindles		
Installed	3,429,160	3,456,748
Operable	3,346,344	3,376,372
Operating	2,411,709	2,440,371
Number of Looms		
Installed		
Independent		
weavers	144,420	146,336
Spinner weavers	41,872	42,328
Total	186,292	188,664
Operable		
Independent		
weavers	142,344	144,286
Spinner weavers	41,133	41,251
Total	183,477	185,537
Operating (Month-end)		
Independent		
weavers	87,845	81,222
Spinner weavers	36,342	37,022
Total	124,187	118,244
Number of operatives		
Working		
Spinning Mill ...	49,205	49,985
Independent		
weavers	70,529	75,032
Total	32,313	32,890
Filament Rayon		
Yarn	3,485	3,500
Rayon Staple	2,890	2,784
Spun Rayon Yarn	2,408	2,112
Filament Rayon		
Cloth	5,177	5,382
Filament Silk		
Cloth	8,418	7,541
Spun Rayon Cloth	5,054	4,998
Spun Silk Cloth ..	1,327	1,254
Silk Mixture Cloth	309	351

Singapore's Airfield and Motor Vehicle Assembly Plant

(By our own Correspondent)

MOTOR VEHICLE ASSEMBLY PLANT

Unemployment is spreading in Singapore but one bright spot is the Ford Motor Company of Malaya Ltd. which is increasing its figures and provides more employment for hundreds of Malaysians skilled in the various jobs connected with assembly work. Not only does it do this but the firm also saves itself many US\$ by importing supplies in knocked-down condition (disassembled) to be built up in Singapore for distribution to retailers and in Malaya, British North Borneo, Sarawak, Siam and Indonesia. Starting from scratch after extensive rehabilitation which was completed in 1946, the Ford Automotive assembly plant at Bukit Timah is turning out ten chassis and eight passenger cars a day. From past records, when the plant turned out over 600 vehicles a day for the Services in 1941, it will be seen that present day production figures can be increased if demand so requires. Wages and salaries paid out in 1948 exceeded \$350,000 and expenditures made in Singapore for goods and services during the period were approx. \$360,000. The factory has been fully equipped with tools of the latest design and carries a spare parts department worth \$1,000,000. It is the only plant of its kind in Malaya. A point of interest here is that in the board room, stand the same table and nine chairs which were used for the signing of the surrender of Singapore by General Percival to General Yamashita.

THE SINGAPORE AIRPORT

The loss of Qantas flying boats on the UK-Australia service is not expected to affect Kallang Airport, although in January the passengers landed figure of 2,346 showed a decline of 138 on December's figure. Freight landed in December was large due to the intake of Christmas goods. The figure of 29,078 lbs. dropped to 24,928 lbs. in January. At present there is an average of 20 landings a day at Kallang, which is being used by seven air lines regularly, viz. Malayan Airways, Qantas, Boac, Cathay Pacific, Siam Airways, Pacific Overseas and KLM.

Due to the ban by India, Ceylon and other countries en route, KLM have found an alternative route by Mauritius and henceforth their through route will miss Singapore, which no doubt will cause another drop in freight and passenger traffic.

Even so, the steady growth in the importance of Kallang Airport can be seen by the following figures: In 1947: 13,186 passengers arrived, 13,252 embarked and 14,443 were in transit. In 1948: 27,004 passengers arrived, 26,354 embarked and 6,945 were in trans-

it. Statistics of mail carried also show huge increase. In 1947: 248,399 lbs. arrived, 223,715 lbs. were despatched and 100,382,183 lbs. were in transit. This large figure of mail in transit is accounted for by the fact that KLM were landing regularly at the Airport. When that airline changed to Constellations they were allowed to land only three a week at the Military Strip at Tengah, others flew direct to Batavia.

Mail carried in 1948 jumped to 267,732 lbs. arrived, 299,117 despatched and 448,567 in transit. Freight carried in 1948 also shows an increase over 1947; 479,437 lbs. arrived in 1947, and 524,141 lbs. in 1948. The amount despatched was almost double: 553,370 in 1947 as compared with 947,427 last year.

Last year was a boom year for Kallang Airport and although Qantas flying boats ceased to use the sea landing base these facilities are still being used by KLM Catalinas and the BOAC flying boat shuttle service between Singapore and Hongkong.

After the failure of the Changi Airport Development scheme, which was abandoned in January and which was to have cost \$20,000,000, the other military landing ground at Tengah was considered but found to be unsuitable.

It is almost certain that the role of major airport for Singapore and this area of South East Asia will fall to Kallang, which is considered the most suitable from all points of view. Last November over \$487,000 were approved by the Finance Committee to improve the airport. \$202,000 were required to build a new taxi track 1,950 feet long by 60 feet wide, with an extension to the main landing track which at present is 1,800 yards long (Constellations need at the very least 2,000 yards in which to land and take off).

It is generally felt in Singapore that an airport, large enough to take the world's flying giants is a necessity if the Colony is to keep pace with the growth of aircraft; but it would need a huge expenditure. Even so, there would be few objections to money being spent on Kallang provided the public were assured of the soundness of investigations into soil subsidence.

• • • • •

Concern for future Output in Malaya

Besides real concern in London for planters, there is some anxiety whether Malayan disturbances coupled with disinflation of U.S. prices, will reduce Malaya's dollar earnings. Last year, Malaya's net dollar earnings, mainly from rubber and tin, surpassed £30,000,000,

covering about one third of Britain's trade deficit with the United States. During the first half of last year, Malaya exported £32,000,000 to the dollar area and imported £15,000,000, a net earning of £17,000,000.

The synthetic threat to natural rubber prices is considered more promising, since purchases and American stockpiling. However, depressed prices of rubber shares in London indicate lack of confidence in the long-term outlook.

On the other hand, Malayan copra is considered more promising, since plantations are near the sea and are less vulnerable than the interior rubber plantations. Moreover, the saleability of Malayan copra in sterling keeps the price more profitable than Philippine copra.

* * *

Tin Exports in February

Tin metal exports of 7,232 tons from the Federation and Singapore in February were an increase of nearly 1,400 tons over January. This is a post-war record. A total of 6,350 tons of the February shipment went to the United States. European countries took 590 tons. British possessions 271 tons and other countries 21 tons.

Exports in January

Smelted tin, rubber and palm oil exports accounted for the \$35,824,268 Malayan export jump in January. The United States, taking \$25,439,933 more, and the United Kingdom, \$13,308,311 more, from Malaya than in the previous month, were mainly responsible for the sharp rise. To the United States, Malaya shipped \$20,258,000 smelted tin and \$20,954,335 rubber in January. The January export increase to the United Kingdom was principally in rubber (\$15,400,000) and palm-oil (\$5,754,627), which were \$6,000,000 and \$2,603,215 respectively in December.

Rubber for USSR

The USSR has placed an order of 10,000 tons of Malayan rubber for shipment later this month. This will increase Malayan rubber shipments to Russia this year to about 45,000 tons before April orders are received.

The Baku which has completed loading 9,250 tons of Malayan rubber, is still in Singapore. The ship will sail for Odessa. Including the Baku, four Russian ships have come to Malaya this year for rubber bought by Russia.

* * *

Derris-Root Trade

British Malaya's exports of derris root in the third quarter of 1948 increased to 709 hundredweight (1 hundredweight=112 pounds) from 307 in the preceding quarter. Exports for the

9-month period January-September 1948 were 80 percent less than those for the corresponding period of 1947. Totals were 1,593 and 7,943 hundredweight, respectively.

Imports of derris root in the third quarter of 1948 totaled 55 hundredweight, compared with 52 in the second quarter. In the first 9 months of 1948, imports amounted to 107 hundredweight, compared with 4,086 in the corresponding period of 1947, a decrease of 97 percent.

Prices rose rapidly from Malayan \$67 to \$69 in July to \$71 to \$73 in August for root of 5 percent rotenone content delivered loose to Singapore warehouses. This is the largest increase since April 1948, when the United Kingdom reentered the market. Prices continued firm throughout last year and are expected to remain so for most of 1949.

Trade sources state that future prospects for production of derris in Malaya are not encouraging, principally because of high labour costs. Another factor is the considerable drop in purchases by the United States and the United Kingdom. 1949 production of derris root is estimated at only 20 to 50 long tons for the entire Federation of Malaya.

* * *

Coal Mining and Cement Works in Malaya

The Malayan Collieries Company was formed to work a deposit of sub-bituminous coal, situated at Batu Arang, Batang Berjuntai, Selangor. The coal occurs in two main seams of a commercial thickness of 22 and 30 feet respectively. The Company's leases total 8,900 acres in extent of which some 300 acres represent reserves of sand for hydraulic stowage. In 1934 the Company secured a concession of approximately 27,000 acres of jungle land which ensures adequate timber supplies for all purposes. Self-contained with regard to timber and sand, the Company operates its own power plant, brickworks and saw-mill; water supply and railway sidings serving the coal producing points and timber and sand areas. In the 35 years of operations up to the end of 1947, the Company have mined some 11,000,000 tons of coal and the present reserves are estimated at about 50,000,000 tons. The Company supply the fuel requirements of the Malayan Railways and a large number of tin mines.

In January 1942, following the policy laid down by Government, the plant, power station and substations were destroyed. On the re-occupation of Malaya, the Collieries were taken over and operated by the Military Administration assisted by the Company's staff. Power was supplied by the station at Rawang. The Company assumed financial and operating control on the 1st July 1946. Extensive damage occurred during

the time that the Japanese were in possession and rehabilitation was slowed down by labour trouble and the delay in deliveries of machinery. The Chairman in his statement on 8th December 1947 stated that the output was ample for consumers' demands and, with new equipment coming forward, increased supplies would be available rising to 35,000 tons at the middle of 1948 and from then to increase steadily up to the designed output of 60,000 tons per month within 2 years. A Rehabilitation Loan from Government became operative in December 1946. The agreed amount Mat.\$4,700,000 bears interest at 3% and is to be repaid in ten annual instalments commencing with the year 1950.

With the encouragement of the Government, Malayan Collieries has investigated the possibilities of establishing a Malayan cement industry. Local raw materials have been found eminently suitable for the manufacture of a first class cement; and as a result of negotiations with Associated Portland Cement Manufacturers of the United Kingdom, plans were completed in 1948 to provide for the erection of a cement works in Selangor with a capacity of up to 100,000 tons annually. It is proposed to form a local Company with a capital of \$7,500,000 for this project, in which both the Collieries and Associated Portland Cement will participate.

* * *

Soap Production and Exports

In our issue of Feb. 23, p. 240, production figures of 1948 were given. In December 1948, production by principal soap manufacturers in Singapore and Malaya totalled 37,523 cwts (25,570 in Singapore, 11,953 in the Federation). Sales during December totalled 22,870 cwts, and stocks as at the end of the month 22,708 cwts.

Exports of soap from Malaya in 1948 aggregated 204,217 cwts. of washing soap, 73,689 of toilet soap and 37,930 cwts. of other sorts of soap. Principal buyers of washing were: Hongkong (70,838 cwts.), Sumatra (37,187), Burma, Arabia, Iraq, British territories in Asia. Principal buyers of toilet soap were: Sumatra (67,657 cwts), and Pakistan (3,360). Principal buyers of other sort of soap: Sumatra (22,248 cwts), North Borneo (8,402), Burma (3,605).

Imports into Malaya in 1948 of washing soap: 45,449 cwts (mostly from U.K.), and of toilet soap 1,299,225 pounds (mostly from U.K.) and 474,560 pounds of soap of other sorts (mostly from U.K.).

* * *

INDOCHINA

FOREIGN TRADE OF INDOCHINA

	UNITS	1938 Monthly Average	1947 Nov.	Aug.	Sept.	1948 Oct.	Nov.	11 Months
IMPORTS								
Total Tonnage	1,000 T.	40.8	22.4	27.5	29.3	24.6	35.2	319.0
Total Value	1,000,000 Piastres	16.2	102.1	222.4	230.6	219.8	270.9	2,035.9
Volume Index	100:1938	100	—	134	125	115	149	113
Price Index	100:1939	48	—	1.105	1.224	1.271	1.208	1.064
PRINCIPAL COUNTRIES OF ORIGIN								
France	1,000 T.	10.4	8.6	11.7	10.9	9.7	13.3	116.1
French Empire	"	1.7	0.5	0.7	0.9	5.8	0.2	22.7
U. S. A.	"	2.2	5.1	4.6	4.6	2.6	3.9	46.8
India	"	1.3	—	0.3	—	—	0.7	5.2
Hongkong	"	3.8	0.2	0.1	0.4	0.05	—	1.7
Indonesia	"	7.5	2.3	6.1	6.4	1.8	14.5	67.7
China	"	2.5	0.1	1.4	1.3	0.8	0.7	11.1
Siam	"	3.4	1.7	0.2	0.4	0.6	0.2	13.1
France	P.1,000	8.483	59.607	139.103	156.622	159.687	194.758	1,253.400
French Empire	"	645	1.771	3.294	3.515	14.020	1.512	56.824
U. S. A.	"	816	25.842	24.829	22.174	13.211	23.148	272.800
India	"	462	—	1.607	13	145	5.420	28.026
Hongkong	"	1.195	512	1.209	1.145	1.042	238	12.849
Indonesia	"	705	822	3.909	4.776	1.249	9.063	41.545
China	"	1.192	1.750	10.730	8.562	5.665	6.844	598.582
Siam	"	300	959	2.357	5.207	6.555	1.788	46.482
PRINCIPAL PRODUCTS								
Animals	Tons	222	—	304	248	230	234	2,664
Milk Products	"	477	398	216	409	107	386	3,226
Wheat flour	"	2,017	1,532	256	2,442	964	5	7,240
Potatoes	"	387	809	977	582	337	162	5,727
Sugar	"	120	—	4	6	5,396	26	11,244
Tobacco	"	342	610	239	419	142	398	2,787
Vegetables	"	1,352	268	666	528	607	405	5,321
Wines	"	771	754	1,008	872	514	432	8,837
Liquors	"	33	150	128	130	81	89	1,197
Petrol Products	"	9,604	2,563	8,128	8,013	3,732	15,983	84,992
Metals	"	4,360	1,453	1,527	2,416	1,530	1,781	15,950
Yarn	"	312	234	249	157	193	63	1,877
Jute bags	"	1,733	—	197	16	2	659	4,957
Cotton goods	"	673	670	377	223	442	607	5,421
Paper	"	976	557	1,454	1,807	1,491	2,354	14,149
Machines, tools,	"	587	653	930	1,070	443	1,102	9,977
Metal goods	"	1,064	1,080	1,006	879	998	1,138	12,048
Rubber goods	"	140	368	303	179	309	473	2,326
Motor cars	Number	192	238	437	360	—	—	—
Animals	P.1,000	38	—	5,790	2,541	2,363	2,775	42,811
Milk Products	"	373	1,896	1,985	3,458	1,685	4,090	28,215
Wheat flour	"	330	1,910	793	6,014	2,599	34	17,399
Potatoes	"	31	799	1,658	1,165	1,059	373	11,620
Sugar	"	24	—	31	24	11,874	65	21,117
Tobacco	"	335	4,206	3,300	4,936	2,273	6,425	36,182
Vegetables	"	166	1,244	3,514	3,800	4,368	3,287	35,739
Wines	"	244	3,260	7,627	5,556	4,086	3,771	58,152
Liquors	"	62	2,472	2,477	2,305	1,365	1,851	22,399
Petrol Products	"	864	1,043	5,876	6,591	3,031	11,477	60,747
Metals	"	1,602	2,645	5,006	7,499	4,521	5,496	46,154
Yarn	"	811	2,584	5,480	4,909	8,503	3,353	58,211
Jute bags	"	532	—	1,006	415	14	5,209	26,210
Cotton goods	"	2,046	8,444	18,337	14,238	30,745	39,689	269,438
Paper	"	593	13,674	16,306	19,102	13,115	21,097	129,821
Machines, tools,	"	1,146	7,993	20,425	24,329	12,625	26,640	168,687
Metal goods	"	745	5,899	10,976	13,696	11,975	12,513	95,394
Rubber goods	"	285	3,676	5,614	3,725	6,444	7,302	41,202
Motor cars	"	470	3,548	9,085	8,708	14,064	10,623	89,668

	UNITS	1938 Monthly Average	1947 Nov.	Aug.	Sept.	1938 Oct.	Nov.	11 Months
EXPORTS								
Total Tonnage	1,000 T.	332.9	19.7	52.2	52.6	33.4	45.7	477.7
Total Value	1,000,000 Piastres	23.7	60.9	113.2	136.4	96.2	97.1	1,023.9
Volume Index	100:1939	100	—	42	52	37	34	39
Price Index	100:1939	103	—	1,029	1,006	997	1,090	909
PRINCIPAL COUNTRIES OF DESTINATION								
France	1,000 T.	110.3	12.4	10.9	12.0	16.0	9.9	103.4
French Empire	"	11.6	2.8	11.4	3.3	3.5	0.1	94.4
U. S. A.	"	2.5	0.6	1.1	0.1	0.2	—	4.8
Hongkong	"	47.1	0.3	7.9	4.6	1.7	13.0	56.8
Singapore	"	11.7	2.9	9.8	17.0	4.7	5.3	98.8
China	"	41.2	—	5.0	6.8	0.1	3.7	42.0
Siam	"	2.2	0.7	0.2	0.7	0.9	0.2	11.4
France	P.1,000	11.377	50.374	42.770	62.727	56.067	38.817	424.914
French Empire	"	1.357	4.920	27.947	5.766	9.433	1.343	203.560
U. S. A.	"	2.078	1.627	7.456	2.260	874	—	26.120
Hongkong	"	2.330	464	20.044	9.675	5.674	25.108	120.768
Singapore	"	2.455	2.424	7.540	29.978	4.872	4.258	108.346
China	"	637	81	399	3.359	751	10.464	22.095
Siam	"	122	876	949	2.060	3.246	497	28.857
PRINCIPAL PRODUCTS								
Raw Hides	Tons	197	89	27	79	90	98	952
Salt Fish	"	2,683	7	—	149	69	42	2,131
Fish Oil	"	79	64	98	35	135	—	1,942
Salt Vegetable	"	358	—	644	635	702	1,274	7,605
Maize	"	45,668	—	980	431	10,046	3,974	24,186
(cargo	"	5,774	—	—	—	238	—	5,496
Rice	"	56,066	2,729	20,040	22,928	6,056	12,537	136,463
(white	"	14,595	1,052	6,060	3,102	746	1,576	46,212
(broken	"	8,261	1,484	3,206	2,533	607	3,663	35,261
(flour	"	460	252	79	443	165	40	1,305
Pepper	"	164	—	3	59	40	42	247
Tea	"	4,835	8,561	3,848	4,387	3,345	2,623	38,073
Rubber	"	316	176	367	376	123	36	2,334
Kapok	"	12,125	—	1,743	2,483	2,682	1,311	23,919
Cement	"	131,733	—	4,120	5,970	400	10,702	52,834
Coal	"	150	925	536	1,020	1,496	922	13,534
Raw Hides	P.1,000	591	44	1	1,596	784	445	10,504
Salt Fish	"	9	229	336	137	489	—	6,890
Fish Oil	"	64	—	3,572	3,472	3,439	6,635	41,765
Salt Vegetable	"	4,190	—	1,222	695	15,755	5,941	39,865
Maize	"	518	—	—	—	283	—	6,597
(cargo	"	5,945	4,855	49,530	56,129	13,915	35,495	314,242
Rice	"	1,293	1,114	12,454	4,407	725	1,955	82,822
(white	"	430	1,189	939	728	233	2,234	24,895
(broken	"	143	4,482	1,609	9,371	4,966	1,458	29,186
(flour	"	180	—	65	1,700	1,114	1,168	5,647
Pepper	"	5,173	35,457	29,684	37,185	31,366	25,971	267,576
Tea	"	183	771	2,808	3,053	1,002	356	17,043
Rubber	"	214	—	1,020	1,353	1,449	710	12,139
Kapok	"	1,025	—	1,255	1,381	170	3,085	11,929
Cement	"	—	—	—	—	—	—	—
Coal	"	—	—	—	—	—	—	—